Brascan
LIMITED

62nd ANNUAL REPORT 1974

Brascan LIMITED

BOX 48, COMMERCE COURT WEST, TORONTO, ONTARIO M5L 1B7

Directors

J. H. A'COURT/*Toronto*
SENIOR FINANCIAL CONSULTANT to the Company

PIERRE ANSIAUX/*Brussels*
Member of the Bar of the Supreme Court of Belgium

THIERRY BARBEY/*Geneva*
Managing Partner, Lombard, Odier & Cie

HENRY BORDEN/*Toronto*
Company Director

PAUL G. DESMARAIS/*Montreal*
Chairman, Power Corporation of Canada, Limited

A. W. FARMILO/*Calgary*
VICE-PRESIDENT; President, Brascan Resources Limited

*E. C. FREEMAN-ATTWOOD/*Toronto*
EXECUTIVE VICE-PRESIDENT

JOHN F. GALLAGHER/*Chicago*
Vice-President, International Operations, Sears, Roebuck and Co.

ANTONIO GALLOTTI/*Rio de Janeiro*
VICE-PRESIDENT; President, Brascan—Administração e Investimentos Ltda.

J. PETER GRACE/*New York*
President and Chief Executive Officer, W. R. Grace & Co.

LEWIS B. HARDER/*New York*
Chairman, International Mining Corporation

N. E. HARDY/*London, Ontario*
Vice-Chairman of the Board, John Labatt Limited

LOUIS A.-LAPOINTE/*Montreal*
Chairman and President, Miron Company Ltd.

R. F. LEWARNE/*Toronto*
VICE-PRESIDENT

A. J. LITTLE/*Toronto*
Company Director

*A. J. MacINTOSH/*Toronto*
Partner, Blake, Cassels & Graydon

*PAUL E. MANHEIM/*New York*
Limited Partner, Lehman Brothers

WILLIAM J. MANNING/*New York*
Partner, Simpson Thacher & Bartlett

*BEVERLEY MATTHEWS/*Toronto*
Partner, McCarthy & McCarthy

WILLIAM G. MEESE/*Detroit*
President and Chief Executive Officer, The Detroit Edison Company

*J. H. MOORE/*London, Ontario*
PRESIDENT

JOHN G. PHILLIMORE/*London*
Company Director

*Member of the Executive Committee

Honorary Directors

HERMANN J. ABS/*Frankfurt (Main)*

W. C. HARRIS/*Toronto*

Officers

J. H. MOORE/*President*

ANTONIO GALLOTTI/*Vice-President and Senior Corporate Officer in Brazil*

E. C. FREEMAN-ATTWOOD/*Executive Vice-President*

L. D. BLACHFORD/*Vice-President*

A. W. FARMILO/*Vice-President*

L. B. LEEMING/*Vice-President*

R. F. LEWARNE/*Vice-President*

W. R. MILLER/*Vice-President, Finance*

J. P. ZACHARY/*Vice-President*

R. R. SUTHERLAND/*Assistant Vice-President, Finance*

L. A. ALLEN/*Secretary*

R. H. ELDRIDGE/*Treasurer*

B. M. HOWARD/*Comptroller*

As at March 25, 1975

LIGHT—SERVIÇOS DE ELETRICIDADE S.A.

Directors

J. J. MARQUES FILHO/*President*

ALEXANDRE HENRIQUES LEAL/*Vice-President*

W. J. CROCKER/*Vice-President*

TULLIO ROMANO CORDEIRO DE MELLO/*Vice-President*

ALBERTO DO AMARAL OSÓRIO/*Vice-President*

RUY BESSONE P. CORRÉA

JOSÉ RUBEM FONSECA

LUIZ TEIXEIRA ALVES DE LIMA

JOÃO DA SILVA MONTEIRO FILHO

MIGUEL REALE

DANIEL B. ROBINSON

GILBERTO SAMPAIO DE TOLEDO

CAIO TÁCITO VASCONCELLOS

ROBERT WILSON

GREAT LAKES POWER CORPORATION LIMITED

Directors

J. H. MOORE/*Chairman of the Board*

R. F. LEWARNE/*President*

W. M. HOGG/*Vice-President*

A. W. FARMILO/*Vice-President*

L. D. BLACHFORD

ROSS DUNN

E. C. FREEMAN-ATTWOOD

L. B. LEEMING

B. B. LOCKWOOD

BRASCAN—ADMINISTRAÇÃO E INVESTIMENTOS LTDA.

ANTONIO GALLOTTI/*President*

ROBERTO PAULO CEZAR DE ANDRADE/*Vice-President*

R. E. SPENCE/*Vice-President*

A. T. COUSINS

PEDRO LEITÃO DA CUNHA

J. E. WILLIAMS

Transfer Agents

National Trust Company, Limited
Toronto, Montreal, Vancouver, Calgary, Winnipeg and Halifax

First National City Bank
New York

Registrars

Canadian Imperial Bank of Commerce
Toronto, Montreal, Vancouver, Calgary, Winnipeg and Halifax

Bankers Trust Company
New York

Annual and Special General Meeting

The annual and special general meeting of the shareholders will be held at the Royal York Hotel, Toronto, on Tuesday, June 3, 1975 at 11 o'clock in the morning.

Si vous désirez recevoir un exemplaire en français de ce Rapport, veuillez vous adresser au Secrétaire, Brascan Limited

Brascan—

a Canadian investment management company carrying on programs in the following investment areas:

- Operation of electric power utilities in Brazil and Canada.
- Production and distribution of consumer goods and services, particularly foods and beverages, in Brazil and Canada.
- Natural resource development in Brazil and Canada.
- Development of tourism and real estate in Brazil.
- Financial services and trading in Brazil, Canada and elsewhere in the world.

Contents

Financial Highlights

	1974*	1973*
	$ millions	$ millions
Income before extraordinary item	119.2	128.5
Net income for year	109.2	128.5
Long-term debt and bank indebtedness	271.6	195.4
Shareholders' equity	1,002.1	918.4
Total cash dividends paid	26.9	25.6
Ordinary shares outstanding (average)	28,214,955	28,173,965**
Per ordinary share:		
Income before extraordinary item	$ 4.23	$ 4.56**
Net income for year	$ 3.87	$ 4.56**
Shareholders' equity	$35.47	$32.51**
Cash dividends	$ 1.00	$ 1.00
Stock dividend	10%	

Brazilian Electric Utility Highlights

	$ millions	$ millions
Operating revenues	799.4	625.4
Net income	118.9	107.0
Property, plant and equipment at cost	1,585.1	1,331.6
Capital expenditures	246.1	123.2
Kilowatt-hours sold in millions	27,376	24,957

*Dollar amounts expressed in United States currency.

**Adjusted for stock dividend paid July 31, 1974.

Directors' Report

Consolidated income of your Company for 1974 before an extraordinary charge was $119.2 million* ($4.23 per ordinary share), a decline of 7% from 1973 earnings of $128.5 million ($4.56 per ordinary share after giving effect to the 10% stock dividend paid July 31, 1974). A provision of $10 million ($0.36 per ordinary share) was recorded in 1974 to write down the Company's investment in Elf Oil Exploration and Production Canada Ltd., which reduced final earnings for 1974 to $109.2 million ($3.87 per ordinary share). There was no such extraordinary item in 1973.

1974 was a difficult year for the entire world in terms of diminished growth and high inflation. Trade patterns and international currency flows were severely affected. The characteristics of the Canadian economy provided a greater degree of insulation from the impact of national and international adjustments caused by the higher cost of energy than was the case in many other countries. In spite of the foregoing, Canada suffered an accelerated rate of inflation and a substantial reduction in real growth. For its part, Brazil suffered a noticeable setback in the success it had been achieving in previous years in reducing the rate of inflation, but nevertheless it achieved in 1974 a real growth in Gross Domestic Product of 9.6%.

Although Brazilian net electric utility income increased during the year, inflation and the decline in the external value of the cruzeiro were major contributing factors to a reduction in income.

As more fully discussed on page 21 under the heading "Translation of Foreign Currencies" in the Summary of Accounting Policies, the Company has changed its policy of accounting for exchange adjustments. While this change does not alter previously reported net income, the 1973 comparative figures for interest income and expense, as well as foreign exchange adjustments, have been restated.

In 1974 the external devaluation of the cruzeiro expressed in terms of United States dollars amounted to 16.3% which gave rise to an exchange loss on translation of $22.0 million ($0.78 per share). 1973 was an unusual year in that there was no external devaluation of the cruzeiro, with the result that the Company had a nominal exchange profit of $0.3 million ($0.01 per share) restated as outlined above.

Light

The Company's principal investment, Light-Serviços de Eletricidade S.A., continues to play an important role in the Brazilian electric utility sector. This 82%-owned subsidiary distributes electricity in the rapidly growing areas in and around the cities of São Paulo and Rio de Janeiro, which embrace a population of approximately 20 million people. Electric energy sales increased 9.7% in 1974 to 27.4 billion kilowatt hours, representing close to half the electric energy consumed in Brazil. In 1974, 67.9% of the energy requirements of Light was purchased from government-owned generation companies, and by the end of the year Light was serving 3.86 million consumers.

The demands for electric service to satisfy the requirements of industrial and residential growth are considerable. Light's capital expenditure program on distribution and transmission facilities increased sharply in 1974 to $246 million, double the $123 million spent in 1973. Brazilian and world-wide inflation resulted in significant increases in cost of domestic and imported material and services during the year and these factors have caused a marked increase in the forecast cost of the 1975 capital expenditure program. Although internal generation of funds together with new equity investment from Brascan cruzeiro funds in Brazil will provide a significant portion of the resources required for the 1975 expansion plan, the larger part of the funds will have to be borrowed. In view, however, of the lack of availability of capital in those markets where Light can borrow, the planned expenditures for 1975 have been cut back to $267 million, a level which can be financed.

Light management is discussing on a continuing basis its expansion obligations and their attendant financing problems with the Ministry of Mines and Energy of Brazil. The Ministry has agreed to assist Light by providing access to internal Brazilian Government sources of financing.

Investment and Industrial Operations

During 1974 the Company continued to broaden its investment program in Brazil. A 70% interest was acquired in Metal Forty, a leading sardine canner.

**Dollar figures throughout this report are expressed in United States dollars except where otherwise indicated.*

A 49% interest was purchased in Delmar, a company which operates a fleet of modern fishing boats and is a major seafood packer for both the domestic and export markets.

Your Company has entered into a joint venture with MacMillan Bloedel Limited to develop a large pine and eucalyptus plantation in Brazil. Situated near the coast in southern Brazil, it will ultimately be the basis for an integrated forest products complex, capable of serving both international and domestic markets.

During the year your Company acquired control of Jacundá, a producing tin mine in the Territory of Rondonia. This is the first producing natural resource property of your Company in Brazil.

Subsequent to the year-end, your Company signed a letter of intent with Cadillac Fairview Corporation Limited, the largest real estate development company in Canada, to examine potential real estate developments in Brazil.

Foreign Investment Review Act

In early 1975, the Company received notice that it qualifies as an eligible corporation under the Foreign Investment Review Act. In essence, eligibility permits the Company to acquire control of Canadian business enterprises without examination by the Foreign Investment Review Agency.

Brascan Brazil

Mention was made in the 1973 annual report of the formation of an investment management company in Brazil. This company, Brascan-Administração e Investimentos Ltda. (formerly called Brasnac-Administração e Representações Limitada) has the following principal objectives:

(a) To develop investment and group policies in Brazil;

(b) To supervise and control the planning of these policies through the various operating units in Brazil;

(c) To allocate resources; and

(d) To monitor the performance of the group in Brazil.

Dr. Antonio Gallotti, who retired last year as President of Light, has assumed the responsibility of chief executive of the management company (known as Brascan Brazil).

Board of Directors—Light

At the 1974 annual meeting of Light, it was announced that Sr. José Luiz de Magalhães Lins was elected President of Light. In October Sr. Lins found that he was unable to continue as President and the Company accepted his resignation with regret. Dr. J. J. Marques Filho, a long-time Vice-President of the corporation, was elected President.

Board of Directors—Brascan

Dr. Hermann J. Abs, having reached retirement age, did not stand for re-election at the annual meeting. Subsequent to that meeting the Board elected Dr. Abs an Honorary Director. We are pleased that Dr. Abs is continuing his association with the Company, providing us the benefit of his counsel. At the annual meeting Mr. A. W. Farmilo was elected to the Board. Mr. Farmilo is a Vice-President of the Company and is President of Brascan Resources Limited.

Executive Appointments

In November Mr. E. C. Freeman-Attwood, formerly Vice-President, Finance, was appointed Executive Vice-President of the Company.

Mr. L. D. Blachford, who joined the Company in 1949 and served for many years with Light in Brazil, was appointed Vice-President, Technical.
The management team in Toronto was further strengthened by the appointment of Mr. J. P. Zachary as Vice-President, Corporate Development and of Mr. W. R. Miller as Vice-President, Finance.

Management and Staff

On behalf of the Directors, I should like to extend our sincere thanks to the management and staff of the entire group of Brascan companies in Canada, Brazil and elsewhere for the enthusiasm and dedication with which they have carried out their various responsibilities during a difficult year.

On behalf of the Board of Directors

J. H. Moore
President

March 25, 1975.

Review of Economic Developments in 1974

World

In 1974 disruption of supply and the sharply increased price of oil complicated the recession in the Western industrial world. The abrupt transfer of currency reserves to the oil producing nations has disrupted the world economy to an unprecedented extent. During the year the levels of industrial production and the volume of international trade slackened. At the end of the year unemployment, absence of growth and recession had become the major problems of governments. In 1974 inflation rose to the level of the early nineteen fifties. The severest impact on national economies was the price rise in wheat, soybeans, sugar, copper and oil. All of these higher costs had a cumulative effect on the essentials of life such as food, shelter and consumer services, which affected people everywhere.

A peaking of prices occurred in most commodities in the late months of 1974. In early 1975 there are signs of a reduction in oil prices through weakened demand and conservation measures. Preliminary signs indicate that the economies of the world are adjusting and, while still in an abnormal phase, are beginning the return to normality.

Canada

Canada had an advantage over most countries in 1974 due to a strong supply position in oil and gas, and the ability to export metals and food. As the year advanced, the Canadian economy was increasingly influenced by the international business decline in the United States, the European Economic Community and Japan.

The Gross National Product grew by 3.7% in physical volume and 17.3% in current dollars. Industrial production was about 4.0% above the 1973 level and many firms benefited from the steady retail markets in the first three quarters of the year. Exports rose by 26% and imports by 35%, affecting the balance of international trade and raising the balance of payments deficit to $1.9 billion. The output of Canadian agriculture declined by 7%, due mainly to unfavourable weather on the prairies. Other major weaknesses were in the lumber and house construction industries. Inflation was further encouraged by substantially above-average labour contract settlements, especially in the public sector, and an increasing level of government expenditure. Onerous taxation by both provincial and federal authorities on oil, natural gas and minerals depressed these industries and effectively curtailed the flow of new capital to them. The year ended on what may turn out to have been a peak in price inflation but with rising unemployment, diminishing level of exports, weakness of the Canadian dollar in foreign exchange markets, and the prospect that the uncertainties of 1974 would continue in 1975.

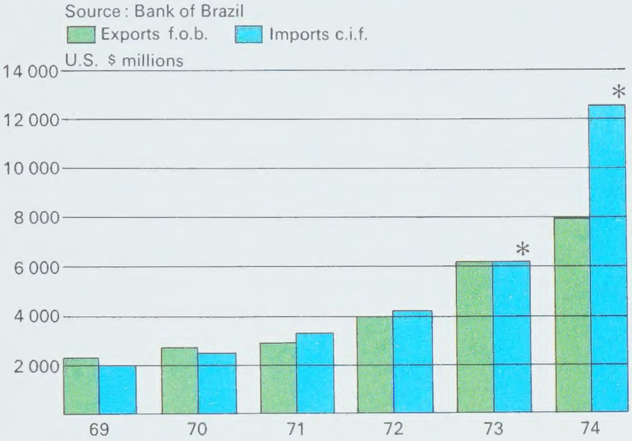
Brazil

Since 1965 Brazil has shown the fastest rate of increase in real GNP per capita of any South American country, with an average annual rise of nearly 6%. Already it has attained self-sufficiency in most lines of secondary manufacturing and in many industrial materials. The economic plans for the latter half of the seventies include increased capacity in cement, fertilizers, steel and electric power; the modernization of consumer goods manufacturing, the strengthening of commercial farming, and a broadening of internal consumer markets. The prospects for self-sufficiency in crude petroleum increased late in 1974 with the announcement of a major off-shore oil discovery near Campos in the State of Rio de Janeiro. While the size of the discovery is not yet determined, it has been stated that the field has the potential to double Brazil's known crude oil reserves.

In spite of world-wide difficulties, the Brazilian economy continued growing at a strong, positive rate in 1974. Expectations for 1975 indicate a moderation in the growth rate. Real growth of Gross Domestic Product of approximately 6% to 7% is now forecast, as compared with growth of 9.6% achieved in 1974.

The rate of inflation was approximately 34%, which was substantially higher than in 1973, when the cost of living index rose 13.7%. Brazil is the eighth largest oil importing country, and its balance of payments is significantly affected by the price of oil, in that imports account for over three-quarters of the total consumption. With a strong need for petroleum for use in industry and transport, other imports were confined predominantly to capital equipment and essential materials not available within the country. Besides the efforts to increase oil production, the

Brazilian Foreign Trade 1969-1974



A major part of the increase in imports is represented by petroleum
* 1973 imports of crude petroleum: $606 millions
* 1974 imports of crude petroleum: $3,150 millions

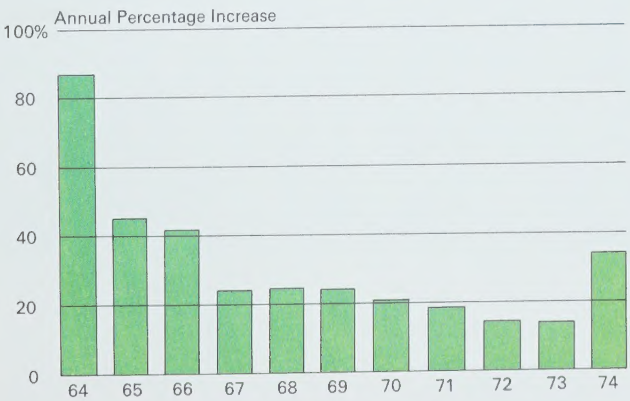
Principal Exports

Value expressed in millions of dollars

	1965	1971	1972	1973	1974
Manufactured goods	110	822	1,222	1,703	2,963
Coffee beans	707	772	989	1,243	877
Soluble coffee	nil	50	68	99	125
Soybeans	7	24	127	494	585
Sugar (all types)	57	153	403	553	1,259
Iron ore	103	237	232	363	571
Raw cotton	96	137	189	218	91
Meats (beef)	37	150	220	218	111
Cocoa	28	62	59	89	210
All exports	1,595	2,904	3,991	6,199	7,967

(Based on figures supplied by Bank of Brazil)
(1974 figures estimated)

Cost of Living Index in Rio de Janeiro 1964-1974



Government moved to diminish consumption by raising gasoline prices 125% from October 1973 to December 1974, and in the longer run by the electrification and expansion of the railway system. The country is endowed with substantial unused hydro-electric capacity and this is continuing to be developed as part of the energy program.

Production

Industrial production increased by 8.2% in 1974, led by strong growth in chemicals, mining and metallurgy. Late in the year a slackness developed in the production of automobiles and household appliances, although the number of new vehicle assemblies at 860,000 was 18% greater than last year. Steel production of 7.5 million metric tons was only 5% greater than 1973, as the industry had difficulties obtaining supplies of coking coal. The only industry to show a decline was textiles. Agricultural production was helped by favourable weather, and rose by 8.6% compared to 4.6% in 1973. There were good crops of soybeans, corn, sugar, rice, cocoa, coffee and wheat, and light crops of cotton and tomatoes. It is expected that Brazil can reduce its wheat imports by half in 1975, in view of the improved domestic harvest.

Monetary and Fiscal Policy

The Government followed a very tight monetary and credit policy during the first three-quarters of the year. In this period inflation increased more rapidly than the growth of money supply, creating a net decrease in real liquidity. The result of the anti-inflation policy was a reduction in price increases during the last quarter of 1974, to a 25% annual rate of inflation. Throughout the year business faced continuing problems arising from the rising level of interest rates, the necessity of borrowing capital from abroad, the sliding value of the cruzeiro and the slower increase in selling prices relative to costs.

During 1974 the requirements of minimum maturities for the registration (for foreign exchange purposes) of foreign loans were reduced and the rate of withholding tax on interest was decreased. These efforts were successful in increasing the inflow of foreign capital, and permitted Brazil to continue a high growth rate.

Private sector savings, largely derived from retained corporate earnings, finance only one-third of industry's expansion requirements. Investment from the public sector makes up the balance. Private growth, therefore, is supplemented by short- and medium-term borrowings from banks. There will continue to be problems in providing the resources for Brazil's economic growth, until a more broadly-based capital market is developed.

Foreign Trade and Balance of Payments

The dominant problem in Brazil's external trade in 1974 was the doubling of imports from $6.2 billion to $12.6 billion, with the increase caused mainly by purchases of high-priced crude oil and by imports of capital goods, industrial materials and wheat. Brazil's exports in 1974 increased by 29% to $8.0 billion, with large increases in manufactured goods, sugar, iron ore, cocoa and soybeans. The maintenance of export values in commodities became more difficult as several products, notably sugar, coffee and soybeans, declined in price toward the end of the year. The balance-of-payments deficit amounted to $1.1 billion in 1974, and official foreign exchange reserves decreased from $6.3 billion at the end of 1973 to $5.2 billion at the end of 1974. The rate of exchange declined from Cr $6.22 to Cr $7.435 to the United States dollar. This change was effected through a series of devaluations which helped to maintain an orderly foreign exchange market.

The high level of official foreign exchange reserves at year-end was helped by the influx of $5.9 billion in foreign capital and loans during the year. The foreign debt stood at $17.3 billion gross ($12.1 billion net) by year-end.

BRAZIL. . . *vigorous economy today*
. . . *strong potential for tomorrow*

BRAZIL—HIGHLIGHTS

Population: 104 million

Land Mass:
3,286,470 square miles
47% of all of South America
5th largest country in the world

Cities:
● National Capital
■ Cities of more than one million

AGRICULTURE

World's fourth largest herd of beef cattle
World's second largest producer of sugar
World's largest sugar exporter
World's largest exporter of soybeans
World's largest exporter of coffee

NATURAL RESOURCES

One-half the world's bauxite reserves
One-quarter the world's iron ore reserves
World's fourth largest producer of manganese
○ Campos: large offshore oil discovery
○ Itaipú: world's largest power dam (under construction)

MANUFACTURING

One-half South America's motor vehicle production
One-half South America's cement production
One-half South America's steel production
One-half South America's farm machinery production
Other major industries include: metal fabrication, chemicals, transportation and communications, electrical equipment, furniture, paper, machinery, leather manufacturing, food processing.

Corporate Structure

Brascan LIMITED
An investment management company
(Incorporated under the laws of Canada)
ASSETS $1,919 MILLION†

- **BRAZILIAN ELECTRIC UTILITY INVESTMENT** — ASSETS $1,323 MILLION†
  - **LIGHT (82%)**
    (Light—Serviços de Eletricidade S.A.)
    Generation, purchase, transmission and distribution of electric power in concession areas which include São Paulo and Rio de Janeiro
- **OTHER CORPORATE ASSETS** — ASSETS $96 MILLION†
  - **GOVERNMENT-GUARANTEED OBLIGATIONS**
    Balance owing to Brascan from the sale of its telephone utilities to the Government of Brazil in 1966
  - **Other assets and investments**
- **GREAT LAKES POWER CORPORATION LIMITED** — Brascan investment group in Canada — ASSETS $218 MILLION†
  - **CONSUMER GOODS AND SERVICES** — ASSETS $57 MILLION†
    - **JOHN LABATT LIMITED (31%)**
      A Canadian management holding company engaged, through its group of companies, in the manufacture, distribution and sale of beverages and a wide range of industrial products, consumer food products and food services
    - **HUDSON'S BAY COMPANY (7%)**
      Retail and wholesale company, interests in oil and gas exploration and real estate
  - **NATURAL RESOURCES** — ASSETS $100 MILLION†
    - **BRASCAN RESOURCES LIMITED (100%)**
      Natural resource exploration and development, including Western Minerals Ltd.
      - **ELF OIL EXPLORATION AND PRODUCTION CANADA LTD. (15%)**
        Oil and gas exploration and development
      - **MAGNORTH PETROLEUM LTD. (12%)**
        Oil and gas exploration and development
      - **COALITION MINING LTD. (77%)**
        Interest in the Sukunka coal development
  - **ELECTRIC UTILITY INVESTMENT** — ASSETS $61 MILLION†
    - **GREAT LAKES POWER COMPANY LIMITED (100%)**
      Generation and distribution of electric power
- **BRASCAN INVESTMENT GROUP IN BRAZIL** — ASSETS $262 MILLION†
  - **BANKING AND FINANCIAL SERVICES** — ASSETS $171 MILLION†
    - **BANCO BRASCAN (100%)***
      (Banco Brascan de Investimento S.A.)
      Investment bank
    - **CREFINAN (51%)**
      (Crefinan S.A., Crédito, Financiamento e Investimentos)
      Consumer credit
  - **CONSUMER GOODS AND SERVICES** — ASSETS $70 MILLION†
    - **FÁBRICAS PEIXE (92%)***
      (Indústrias Alimentícias Carlos de Britto S.A.)
      Food processing
    - **SWIFT-ARMOUR S.A. (41%)***
      Meat packing, cattle raising
    - **SKOL-CARACU S.A. (22%)**
      Brewing and soft drink production
    - Other assets and investments including forestry, machinery and sea food products
  - **TOURISM AND REAL ESTATE** — ASSETS $19 MILLION†
    - **GÁVEA HOTEL (67%)***
      (Gávea Hotelaria e Turismo S.A.)
      Hotel
    - **PARATÍ (28%)***
      (Empreendimentos, Desenvolvimento e Melhoramentos S.C. Ltda.)
      Tourism development
  - **NATURAL RESOURCES** — ASSETS $2 MILLION†
    - **PROMISA (100%)***
      (Promisa—Mineração e Prospecções S.A.)
      Non-ferrous metals exploration and development
    - **JACUNDÁ (60%)**
      (Cia. de Mineracão Jacundá S.A.)
      Tin mining
- **TRADING AND FINANCIAL SERVICES** — ASSETS $20 MILLION†
  - **BRASCAN INTERNATIONAL TRADING GROUP (100%)**
    International trading companies with offices in Toronto, São Paulo, London, Tokyo, Osaka, New York
  - **BRASCAN INTERNATIONAL B.V., ROTTERDAM (100%)**
  - **BRASCAN INTERNATIONAL S.A. GENÈVE (100%)**
    Financial services companies
  - **Other assets and investments**

†Asset values represent book values at December 31, 1974 without deduction of liabilities which are set out on page 27.

*Held through the following wholly-owned Brazilian investment subsidiaries:
Emprêsa Técnica de Organização e Participações S.A.
Organização e Empreendimentos Gerais S.A.
Brascan—Administração e Investimentos Ltda.

Analysis of Consolidated Income by Currency for the years ended December 31

(Expressed in thousands of United States dollars)

	SOURCE			CURRENCY		
	BRAZIL	CANADA AND OTHER	TOTAL	CRUZEIROS	DOLLARS	TOTAL
1974						
Income (loss):						
Electric utilities	$118,869	$ 5,286	$124,155	$ 92,651	$ 31,504	$124,155
Financial services and trading	6,558	(1,021)	5,537	1,879	3,658	5,537
Natural resources	(824)	230	(594)	(824)	230	(594)
Tourism and real estate	155		155	(267)	422	155
Consumer goods and services	922		922	922		922
	125,680	4,495	130,175	94,361	35,814	130,175
Dividends and profits on sale of shares	1,286	3,473	4,759	1,286	3,473	4,759
Interest under telephone sale agreement	3,622		3,622		3,622	3,622
Other interest income		2,962	2,962		2,962	2,962
	130,588	10,930	141,518	95,647	45,871	141,518
Expenses not allocated by segment:						
Income and withholding taxes	(3,164)	(1,699)	(4,863)	(1,995)	(2,868)	(4,863)
General administrative expenses	(4,192)		(4,192)	(4,192)		(4,192)
Corporate expenses		(13,240)	(13,240)	(129)	(13,111)	(13,240)
Income (loss) before extraordinary charge	$123,232	$ (4,009)	$119,223	$ 89,331	$ 29,892	$119,223
1973						
Income (loss):						
Electric utilities	$106,971	$ 2,417	$109,388	$ 83,229	$ 26,159	$109,388
Financial services and trading	14,015	(492)	13,523	11,357	2,166	13,523
Natural resources	(765)	241	(524)	(765)	241	(524)
Tourism and real estate	141		141	(281)	422	141
Consumer goods and services	5,026		5,026	5,026		5,026
	125,388	2,166	127,554	98,566	28,988	127,554
Dividends and profit on sale of shares	4,007	3,732	7,739	4,007	3,732	7,739
Interest under telephone sale agreement	3,833		3,833		3,833	3,833
Other interest income		2,509	2,509		2,509	2,509
	133,228	8,407	141,635	102,573	39,062	141,635
Expenses not allocated by segment:						
Income and withholding taxes	(1,877)	(782)	(2,659)	(1,214)	(1,445)	(2,659)
General administrative expenses	(2,314)		(2,314)	(2,314)		(2,314)
Corporate expenses		(8,117)	(8,117)	(2)	(8,115)	(8,117)
Net income (loss) for year	$129,037	$ (492)	$128,545	$ 99,043	$ 29,502	$128,545

Analysis of Changes in Consolidated Financial Position by Currency for the years ended December 31

(Expressed in thousands of United States dollars)

	1974			1973		
	DOLLARS	CRUZEIROS	TOTAL	DOLLARS	CRUZEIROS	TOTAL
Funds provided:						
Operations, after deducting dividends paid to minority shareholders	$ 35,221	$111,840	$147,061	$ 31,212	$125,208	$156,420
Long-term borrowings excluding those incurred to finance acquisitions	25,620	119,972	145,592	36,899	1,271	38,170
Sale of property, plant and equipment		16,010	16,010	1,468	(7)	1,461
Increase (decrease) in holdings of minority shareholders	(10)	9,323	9,313		3,254	3,254
Current portion of sale price of telephone utilities	1,148	2,758	3,906	(55)	2,840	2,785
Shares issued	1,344		1,344			
Customers' contributions for line extensions		812	812		308	308
Repayment of electric subsidiary debt to parent	5,000	(5,000)		5,000	(5,000)	
	68,323	255,715	324,038	74,524	127,874	202,398
Funds used:						
Expenditures on property, plant and equipment	13,196	269,884	283,080	7,049	128,894	135,943
Reduction in long-term debt	43,949	9,984	53,933	375	5,595	5,970
Increase (decrease) in loans and long-term finance and leasing contracts		21,778	21,778		(11,133)	(11,133)
Increase in utility materials and supplies		20,781	20,781		572	572
Increase in non-utility investments	8,053	(132)	7,921	11,526	4,899	16,425
Net funds used on acquisition of subsidiaries*				4,359		4,359
Deferred mine development expenditures	881		881	3,893		3,893
Investment in shares of subsidiaries	10,600	(10,600)				
Dividends—ordinary and preference	26,896		26,896	25,571		25,571
Miscellaneous changes in various assets and liabilities	(437)	3,473	3,036	1,647	249	1,896
	103,138	315,168	418,306	54,420	129,076	183,496
(Decrease) increase in net current assets	(34,815)	(59,453)	(94,268)	20,104	(1,202)	18,902
Net current assets at beginning of year	52,321	73,328	125,649	32,217	74,530	106,747
Net current assets at end of year	$ 17,506	$ 13,875	$ 31,381	$ 52,321	$ 73,328	$125,649

*Net funds used on acquisition of subsidiaries—						
Net non-fund assets of subsidiaries acquired				$ 68,359		$ 68,359
Less long-term portion of borrowings incurred to finance acquisitions				64,000		64,000
				$ 4,359		$ 4,359

Review of Operations 1974*

Consolidated income in 1974 before an extraordinary charge was $119.2 million or $4.23 per ordinary share, compared with $128.5 million in 1973 ($4.56 per share after adjustment of the number of shares outstanding for the 10% stock dividend paid July 31, 1974). A provision of $10 million ($0.36 per ordinary share) was recorded as an extraordinary item in 1974 to write down the Company's investment in Elf Oil Exploration and Production Canada Ltd., which reduced final consolidated net income to $109.2 million ($3.87 per ordinary share). There was no such extraordinary item in 1973.

Consolidated income before the extraordinary charge, by source and currency, which is set out in detail on page 8, is summarized below:

	1974		1973	
	Amount (in thousands)	$ per share	Amount (in thousands)	$ per share
Source				
Electric utility—Brazil	$118,869	$4.21	$106,971	$3.80
Investment and industrial operations				
Brazil	4,363	0.15	22,066	0.78
Canada and other	9,231	0.33	7,625	0.27
	13,594	0.48	29,691	1.05
Net income before corporate expenses	132,463	4.69	136,662	4.85
Corporate expenses	13,240	0.46	8,117	0.29
Consolidated income before extraordinary charge	$119,223	$4.23	$128,545	$4.56
Currency				
Dollar components	$ 29,892	$1.06	$ 29,502	$1.05
Cruzeiro components	89,331	3.17	99,043	3.51
	$119,223	$4.23	$128,545	$4.56

Cash dividends paid of $1.00 per ordinary share amounted to $26.9 million in 1974 and $25.6 million in 1973, representing 90% and 87% of the dollar component of earnings in the respective years.

Under the legislation governing remittances from Brazil the Company received during the year all dollar amounts to which it was entitled within existing registrations.

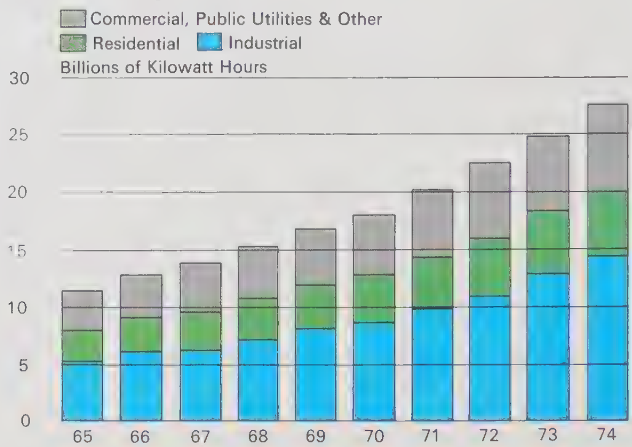
Translation of Cruzeiros to Dollars

Cruzeiro revenues and expenses were translated into dollars in 1974 at the average exchange rate for the year Cr$6.80 (Cr$6.13 in 1973) except for depreciation which was translated at the same rate as that used for translation of the related assets. The year-end rate of exchange was Cr$7.435 as compared with Cr$6.22 at the previous year-end. During the year the external devaluation of the cruzeiro relative to the United States dollar was 16.3%, whereas in 1973 the comparable figure was only 0.1%.

A full explanation of the Company's change in practice of reporting interest income or expense on interest-bearing assets and liabilities in Brazil is set out under "Translation of Foreign Currencies" in the "Summary of Accounting Policies" on page 21, together with the reasons for the change. While this change in accounting practice did not alter 1973 reported net income, the effect thereof has been to reclassify approximately $24 million, reported in 1973 as foreign exchange adjustments, as interest income and interest expense in the financial statements. This reclassification reduced the 1973 foreign exchange translation gain from $24.5 million to $0.3 million. This restated gain resulted from the fact that there was, in essence, no external devaluation of the cruzeiro relative to the U.S. dollar in 1973, due to the devaluation of the dollar in that year. However, in 1974 the external devaluation of the cruzeiro, as stated above, was 16.3% which contributed to an aggregate foreign exchange translation loss of $22.0 million ($0.78 per share). This has had a significant impact on the current year's results, particularly in the financial services sector in Brazil which accounted for $19.7 million of this foreign exchange loss on translation as compared with a loss for 1973, restated as outlined above, of $0.5 million.

Comments on the Company's operations are set out in the sections which follow.

Electric Energy Sold



*The Company's financial statements are expressed in United States currency and all references to dollars in this Review are to United States dollars unless otherwise indicated.

Electric Utilities

Brazil

Net electric utility income of Light-Serviços de Eletricidade S.A. increased in 1974 by $11.9 million (11.1%) to $118.9 million from $107.0 million in 1973.

The major components of this increase are as follows:

Increase in allowable remuneration	$17.5
Variation on translation of recoverable items into dollars	3.7
Shortage in recovery of full cost of service in rates	(6.8)
Decrease (net) in expenses not recoverable in rates	1.3
Increase in operating income	15.7
Increase in income deductions (net)	3.8
	$11.9

Electric revenues, together with prior years' surplus earnings taken into income in 1974, were sufficient to cover "service at cost" until the fourth quarter of 1974 when further cost increases (without additional electric tariff adjustments) gave rise to a shortage of $6.8 million (Brascan's share of which would be $0.19 per share after tax), less than 1% of "service at cost" for the year. As outlined in the "Summary of Accounting Policies" on page 22, where the term "service at cost" is explained, this deficiency will be brought into income when subsequently recovered through the application of increased tariffs.

Light is the largest power distribution company in Brazil. Electric energy sales increased 9.7% in 1974 to 27.4 billion kilowatt hours, representing close to half the electric energy consumed in Brazil. Industrial consumption, which represented 52% of all sales, rose by 11.3% during the year. The industrial component of sales has increased at a compound annual rate of 11.9% over the last five years. Residential sales rose by 8.3% to 5.9 billion kilowatt hours, while commercial sales went up 9.3% to 4.4 billion kilowatt hours.

By the year-end Light was serving 3.86 million customers as compared with 3.70 million at the previous year-end. The peak load for the system reached 5,222 megawatts in August, an increase of 7.1% over the previous year's peak.

Over the years Light has been purchasing an increasing proportion of its electric power requirements from the Government-owned utilities. In 1974, 67.9% of electricity was purchased as compared with 61.7% in 1973. The acceleration of this trend in 1974 was due not only to the increased demand for electricity, but also to the curtailment of operation of Light's oil-fired generating plant. This action was taken in response to Government programs to reduce consumption of petroleum products.

National generating capacity has grown steadily over the past decade to 17,500 megawatts in 1974. Substantial additional hydro-electric resources are being developed which will increase installed generating capacity by 55% to 27,000 megawatts by the end of 1978. The Brazilian Government's program of developing generating capacity assures that the electric utility companies will have sources available to meet the expected demand.

Light's capital expenditure program for distribution and transmission facilities increased sharply in 1974. Expenditures aggregated $246 million, double the $123 million spent in 1973. The effect of Brazilian and world-wide inflation in 1974 contributed to a heavy increase in cost of domestic and imported material and equipment, together with wage costs.

These factors, moreover, have caused a significant increase in the forecast cost of the originally planned 1975 capital expenditure program, which had been developed to meet continuing growth in demand as well as further improvement in quality of service. Although a significant portion of the resources required for the 1975 expansion plan will be generated internally (through reinvested profits and depreciation) and provided from new equity investment of Brascan cruzeiro funds in Brazil, the larger part of the funds will have to be borrowed. In view of present terms, availability and sources of funds in world capital markets, Light has had to cut back planned capital expenditures to a level which can be financed. The forecast of capital expenditure for 1975 has been authorized in the amount of $267 million.

In view of the above and in order to permit concentration of the company's efforts on distribution in its concession area, Light has initiated discussions with the Ministry of Mines and Energy of Brazil to redefine its responsibility in respect of the construction of high voltage transmission systems and interconnection facilities.

In addition, discussions have taken place with the Ministry on Light's overall expansion plan and its attendant financing problems. This has resulted in the Ministry's agreeing to assist Light by providing access to internal Brazilian Government sources of financing heretofore available only to government-owned electric companies.

Effective February 1, 1975 new electric tariffs were authorized by the regulatory authorities who stated that the system of "service at cost" will be maintained.

Light estimates that these tariffs will not be sufficient to cover the forecast cost of service for 1975. The authorities have also stated that a further tariff adjustment will be authorized during the year.

Reference was made in the 1973 annual report to the completion in 1974 by a Government Commission of the determination of the physical existence and the monetarily corrected cruzeiro cost, less applicable depreciation, of Light's plant in service as at December 31, 1964, together with net additions at cost to December 31, 1972. The resulting cruzeiro values have been reflected, as required by law, in Light's books in 1974. These values, adjusted for subsequent monetary corrections, are approximately 0.3% lower than the equivalent cruzeiro book values at December 31, 1972. Electric utility income from January 1, 1965 may be subject to adjustment in future rates to reflect these findings. Any adjustment is not expected to be material.

Canada

The increase in the "Electric utility—Canada" income reflects the inclusion of a full year's results for Great Lakes Power Corporation Limited, control of which was acquired in June 1973.

Capital expenditures totalled $4.9 million, of which $4.3 million was for an additional 25 megawatt unit at one of the generating stations. This unit is scheduled for operation in April 1975.

Financial Services and Trading

Brazil

The operations conducted by Banco Brascan showed significant growth in 1974. At December 31, 1974, the outstanding value of loans granted amounted to the equivalent of $89.3 million, compared to $57.4 million at the previous year-end.

While cruzeiro revenue and income showed substantial increases, the effect of the acceleration in the rate of inflation in Brazil, together with the decline in the external value of the cruzeiro, reduced the reported total financial service income after adjustments for foreign exchange loss on translation to $6.6 million compared to $14.0 million last year.

In addition to its lending operations to both private and Government sectors, the bank maintained a significant position in the growing Brazilian money market and in the newly established debenture market.

Crefinan, the Banking Group's consumer credit company, financed the equivalent of $35.4 million, mostly through leading retail firms. Starting operations at the end of 1973, Brascanlease, the equipment and machinery leasing company, contracted $2.8 million in leasing operations in 1974.

The operations of the Banking Group are now conducted in several of the major Brazilian industrial and economic centres, from its offices in Rio de Janeiro, São Paulo, Recife and Brasilia. Special attention continued to be given in 1974 to the development and strengthening of management.

Canada and Other

Although trends in world trade were unsettled during most of the year, the volume of business done by the Trading Group increased. Commodity futures trading operations in London and New York were profitable in spite of volatile markets. Other trading activities in the Tokyo office were satisfactory, but the results in both Toronto and New York were disappointing and major reorganizations of these offices were completed during the year. The trading office in Brazil was moved from Rio de Janeiro to São Paulo where the trading company is concentrating on developing business with Brazilian export industries.

Natural Resources

Canada

Brascan Resources Limited, the Company's natural resource subsidiary, made satisfactory progress during the year in its exploration and development program. In addition, cash flow increased, reflecting not only a full year's operations of Western Minerals, but also increased prices for crude oil.

At December 31, 1974 estimated gross recoverable petroleum reserves were as follows:

	Crude Oil (Millions of Barrels)	Raw Gas (Billions of Cubic Feet)
Proven	4.0	213.4
Probable	1.6	356.6
	5.6	570.0

Petroleum and natural gas rights owned by Brascan Resources and its affiliates total 5.1 million gross acres, of which Brascan's share is 2.2 million acres. These figures do not include acreage held in Elf Oil Exploration and Production Canada Ltd. and Magnorth Petroleum Ltd. in the Arctic Islands, or the acreage held in the Hopedale Block off the Labrador Coast.

Mineral properties total 140,155 gross acres or 84,497 net acres. These are located in the Yukon, Northwest Territories, Saskatchewan, Ontario, Quebec and Nova Scotia.

Coal mining properties total 205,400 gross acres or 122,088 net acres in British Columbia, Alberta and Saskatchewan. Industrial mineral properties total 2,966 net acres.

Petroleum Division

During the year the company participated in drilling 30 gross wells, 18 of them in connection with the Hairy Hills-Willingdon gas project in Central Alberta. The 30 wells resulted in 11 successful gas wells and two oil wells.

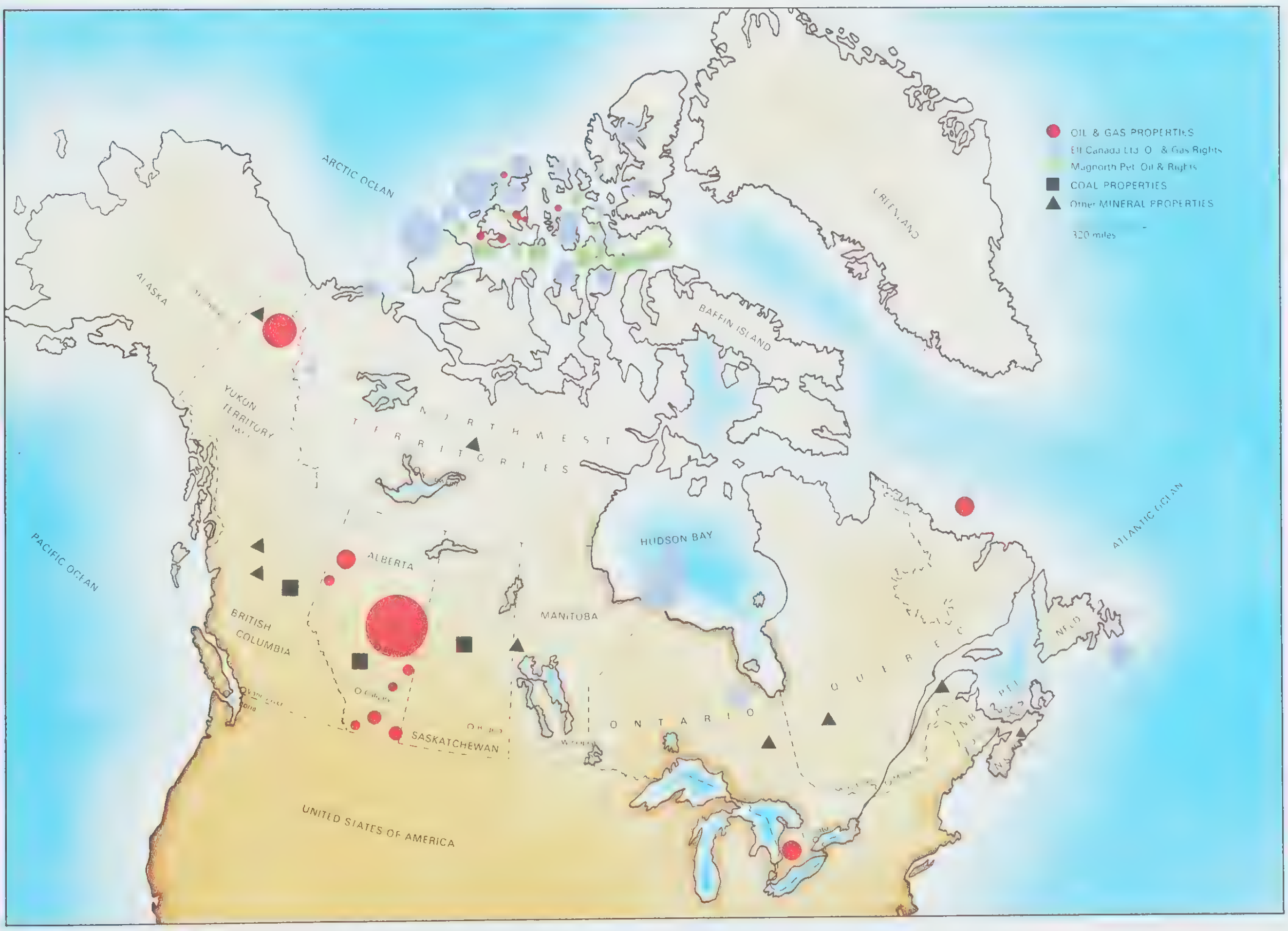
(a) Exploration

In co-operation with other participants, the company continued drilling and geophysical work in the Botha area of northern Alberta. Some gas was found, and at the year end two additional exploratory wells were being drilled.

The company participated in a well in the Minnehik area of west central Alberta which resulted in a commercial gas discovery. Flow tests are being run on the well, and a second well is being drilled to determine the extent of the field.

As previously reported, Brascan has a 15% equity interest in Elf Oil Exploration and Production Canada Ltd., which holds 55 million gross acres, largely in the Arctic Islands. During the year Elf continued a drilling program, primarily in British Columbia, with five of the new wells encountering gas. In the Arctic it has been particularly active in "farming out" parts of its extensive holdings to other companies which

Canadian interests of Brascan Resources Limited



undertake to carry out exploratory and drilling activities. These companies, which are engaged in exploration in Northern Canada, have contractual arrangements whereby in excess of $100 million may be expended over the next few years in exploring and drilling on lands in which Elf holds an interest.

While the Company is not contemplating the disposal of this investment, current estimates indicate that if it were to be disposed of under present circumstances a loss would be incurred. In recognition of such a potential loss, the carrying value of this investment has been reduced by $10 million by an extraordinary charge against 1974 income.

Also in the Arctic Islands, Brascan Resources holds a 12.3% interest in the 14.2 million offshore acres held by Magnorth Petroleum Ltd. in Viscount Melville and Lancaster Sounds. Under an agreement with Magnorth, another company (Norlands Petroleums Limited) can earn a 50% interest in these petroleum and gas rights by spending Can. $26.6 million in exploration and drilling. At the end of the year Norlands had earned a 15% interest, and is awaiting federal government permission to begin drilling activities.

During 1974 the company increased from 14.8% to 16.5% its working interest in the 753 thousand acres comprising the Hopedale Block offshore drilling area east of Labrador. A 200-mile marine seismic survey was completed during the summer.

(b) Production

Brascan Resources holds a 50% interest in and is the operator for the Hairy Hills Gas Project which encompasses the building of a compression-dehydration plant with an original capacity of 52 million cubic feet per day. The project will collect production from the Hairy Hills, Willingdon, Duvernay and other gas fields. Additional drilling during 1974 has expanded reserves and permitted the negotiation of marketing contracts. The Alberta Gas Trunk Line Co. Ltd. will build a 12-mile, 10-inch spur to its main line. The plant is scheduled to reach full initial capacity in July 1975.

Minerals Division

Brascan is continuing its minerals exploration program. Six holes were drilled on a massive sulphide deposit at Beechy Lake, Northwest Territories, with interesting results, and further drilling and exploratory work is planned for 1975. The drilling was done on a claim block staked by the Yava Syndicate, in which Brascan Resources holds a 45% interest and acts as operator.

Geological work and prospecting continued in the Ogilvie Mountains area of the Yukon, leading to the discovery of additional occurrences of zinc-bearing minerals and the staking of further claims. The company now has more than 450 claims in the area and has an option to participate in an additional property.

Following a discovery by Thor Explorations Ltd. of uranium and gold float in the Sandfly area of northern Saskatchewan, the company and Noranda Mines Limited negotiated an agreement whereby each could earn a 30% interest in the property upon completion of the option commitments. Noranda is the operator. The first drill hole was completed by the year-end and further exploration work and diamond drilling is proceeding. The company and Noranda have staked additional claims in the area on a fifty-fifty basis. Brascan Resources has also opened negotiations for an option on additional claims near the Thor block of claims.

The company joined with two major international mining companies to form the Tillex Syndicate to investigate geophysical anomalies by overburden drilling in Ontario. Initial follow-up diamond drilling is providing encouraging results. Brascan Resources will earn a 38¼% interest.

An option was acquired by the company from Silvermaque Mining Ltd. on its zinc sulphide deposit in Cape Breton Island. Preliminary work was encouraging and diamond drilling will commence in 1975. The company can earn an 80% interest.

During the year Brascan Resources examined mining properties in the United States and participated with a consortium in a search for copper-gold deposits in the Philippines.

Coal and Industrial Minerals Division

As previously reported, Brascan Resources holds a 12½% interest in the Sukunka coal mining project in northeastern British Columbia, and has an option to acquire an additional 47½% interest, exercisable by June 30, 1975 or three months after leases or permits have been issued and satisfactory arrangements made for transportation facilities.

During 1974 the Government of British Columbia decided not to exercise its option to purchase a 40% interest in the property from the present owners.

Although the original plan was for underground development, an exploratory drilling program begun in late 1974 has disclosed a sufficient tonnage of near-surface coal to be mined by open-pit methods. This has resulted in an altered concept of the project, comprising a modest open-pit mining operation combined with a slow start-up of underground mining operations. The new approach will significantly

reduce the investment required, while providing an immediate cash flow. Permission was received from the British Columbia Government for the shipment of up to 500,000 tons of Sukunka coal each year through Neptune Terminals in West Vancouver. Environmental studies are being carried out in connection with the project, including surface and site preservation and restoration. In addition, steps will be taken to prevent dust blowing into the countryside from the coal cars.

Coal properties in Alberta include a recently optioned coal property in the Ram River-Nordegg area covering 11,800 acres and the Wabamun reserves, part of which were sold under a long-term purchase agreement which produced a cash flow of Can. $225 thousand in 1974. Other coal reserves in Alberta are being investigated.

In the La Ronge area of Saskatchewan the company's drilling activities have indicated 70 million tons of thermal coal suitable for open-pit mining.

Brascan Resources holds a 25% interest in Austen and Butta Limited, operators of coal mines in Australia. This company may also participate in the Sukunka project through Coalition Mining Limited, the operator of the project.

Brazil

Promisa, Brascan's mineral exploration subsidiary in Brazil, investigated mineral prospects in the States of Minas Gerais, Amazonas, Rio Grande do Sul, Pará, Ceará and Bahia, and in the Territory of Rondonia.

As previously reported, Promisa during 1974 acquired a controlling interest (60%) in a producing tin property, Jacundá, in Rondonia. The contribution to profit was $258 thousand in 1974. Production was 33.5 tons of fine tin, close to the forecast figure. Exploration and evaluation of additional tin properties in north Brazil are continuing.

Tourism and Real Estate

Brazil

The 500-room Hotel Intercontinental Rio on Gávea Beach, owned two-thirds by the Company and one-third by Intercontinental Hotels Corporation (the operator), a subsidiary of Pan American World Airways, opened its doors on August 12 and was formally inaugurated by the Governor of the State of Guanabara on October 12. Plans are underway for a real estate development on lands adjacent to the hotel.

The conceptual and design phase for the ocean-front resort at Paratí, which lies between Rio de Janeiro and Santos, has been completed, and at year-end bids for infrastructure work were being issued and a sales promotion campaign prepared for launching early in 1975.

As a further step in the Company's program of real estate development, a letter of intent has been signed with Cadillac Fairview Corporation Limited to set up a joint venture in Brazil.

Consumer Goods and Services

Brazil

Income decreased by $4.1 million to $0.9 million in 1974 from $5.0 million reported in 1973 as follows:

	$ millions	
	1974	1973
Subsidiaries' operations:		
Fábricas Peixe (food processor)	$(0.3)	$(0.3)
Metal Forty (sardine canner)	(0.8)	
	(1.1)	(0.3)
Equity interest in income of corporate joint ventures:		
Skol-Caracu (beverages)	0.3	0.6
Swift-Armour (meat packer)	2.2	4.4
Delmar (sea food)	(0.3)	
Embrasca (forestry)	(0.2)	
Interest income:		
Skol-Caracu		0.3
	2.0	5.3
	$ 0.9	$ 5.0

Fábricas Peixe

1974 was a difficult year for the company, with achievements in some areas offset by serious setbacks in others.

Strong sales in the second half of 1973 exhausted the company's tomato supplies by year-end, and the early 1974 crop from irrigated tomato fields in the North and from plantations in southern São Paulo was destroyed by heavy rains. As a result, both Peixe and the industry generally were out of stock of most tomato products during the first half of 1974. Tomato products normally represent about half of Peixe's total sales volume.

The main tomato crop, which is harvested in mid-year in the Northeast, suffered considerable rain damage with consequent higher than planned unit costs. A very substantial harvest in the South permitted Peixe to recoup the lost volumes but, again, at higher unit costs.

Production efficiencies were improved and, as tomatoes became freely available, sales recovered strongly in the July-September period.

By this time, inflationary forces began affecting the purchasing power of the Brazilian consumer, and Peixe experienced a weak final quarter. The resurgence of inflation with increasing financial costs and the deterioration of the cruzeiro/dollar exchange rate also affected profits adversely. Competitors, under similar financial pressures, entered a price war and left Peixe in a higher-than-forecast stock position by year-end. In spite of the shortages of the first half, Peixe met its sales volume objectives but not the anticipated profits, the principal reasons being the higher tomato costs and higher financial expenses.

A small modern manufacturing facility in Pinhal, São Paulo was acquired, which added a line of high quality canned fruits in syrup and other high margin fruit products to our line (principally peaches, guava, figs and mangoes).

Metal Forty

In early 1974, a 70% interest was acquired in Metal Forty, a sardine canner, which uses the trade name of Gomes da Costa.

After a very strong first half, Metal Forty's market was affected by the reduced consumer purchasing power which caused a dramatic fall in sales from July onwards. Although fish were plentiful, the entire Brazilian sardine industry virtually shut down for three months. The recovery in sales which began towards the year-end was too late to avoid a loss.

Skol-Caracu

The brewing industry in Brazil increased its sales volume by 8% to an estimated 12.1 million hectolitres. Skol-Caracu S.A. increased its sales volume by 28.7% and its share of the market by 2% to 12%.

Margins were squeezed by high malt prices and price control but this was offset by higher volume so that operating results were ahead of plan. A price adjustment was granted in December which, while having little impact in 1974, ensures a reasonable base for 1975.

The commencement of production at the new brewery in Brasilia in December and the completion during January, 1975 of a first-stage expansion at the Belo Horizonte plant will assist in meeting the strong market demand. Further expansions will be carried out at Belo Horizonte and Rio de Janeiro in 1975. Land has been acquired in São Paulo to build a major brewery to serve this area.

Swift-Armour

As forecast in last year's report, results for Swift-Armour were somewhat lower than in 1973. They were affected by international conditions which resulted in lower prices and slower sales for their main export products. Price restrictions continued in the domestic operations while cattle prices remained at high levels. Production of processed meat with higher margins was expanded. Grain exports, which were begun on a small scale in previous years, were also expanded to make this a significant source of profits. Ranching operations benefited by firm cattle prices and made a significant contribution to offsetting the decline in earnings.

Delmar

Trading in frozen lobster from Brazil began through Brascan's New York office in 1973. In August 1974 this was carried a stage further by direct Brascan participation in Delmar S.A., a leading lobster fishery. Delmar operates a fleet of modern fishing boats and has up-to-date freezing and packing plants in Fortaleza and Camocim in the State of Ceará. In addition to lobster, Delmar packs red snapper fillets and crab.

Initially devoted exclusively to export, Delmar has now begun to develop a domestic distribution network.

Embrasca

The Brazilian climate and soil are particularly favourable to tree growth, and Brazilian legislation favours reforestation enterprises. Brascan, which already had small holdings in two forest products companies, in 1974 entered into a joint venture (49/51%) with MacMillan Bloedel Limited of Vancouver, British Columbia, to establish a forest industry complex in southern Brazil.

The new company, Embrasca, signed a contract to acquire a small existing reforestation firm, Comfloresta, to serve as a base for the development of major pine and eucalyptus plantations. By 1982 it is planned to expand this base to 250,000 acres.

Located in the Joinville area of the State of Santa Catarina, it is well situated for transport of finished products to both domestic and foreign markets.

Other Investments

Pineapple Project

The company has embarked on a land development and pineapple plantation project in the State of Bahia, which agronomic studies have indicated as an area particularly suited for this fruit. Studies are underway to develop marketing and production capability for substantial volumes of canned pineapples. It is expected that this project will contribute materially to the economic development of this part of the Brazilian Northeast.

Fábrica Nacional de Vagões (F.N.V.)

F.N.V., which produces railway equipment and automotive parts, had a successful year. Markets for heavy trucks, steel castings and excavators also continued strong.

During the year the Government announced a four-year re-equipment program for the country's railways which has resulted in a high level of activity for F.N.V.

Modernization of the manufacturing plant continued, and a new wheel rim line for trucks was installed. Expansion of foundry capacity to 1,000 tons a month was completed, and a further expansion is under study.

Dividends and Profits on Sale of Shares

Brazil

Dividends and profits on sale of shares decreased to $1.3 million from the $4.0 million earned in 1973.

	$ millions	
	1974	1973
Dividends	$0.9	$0.7
Profit on sale of shares	0.4	3.3
	$1.3	$4.0

Canada

Dividends and profits on sale of shares were as follows:

	$ millions	
	1974	1973
Dividends		
John Labatt Limited	$2.9	$2.5
Hudson's Bay Company	0.6	0.5
Other		0.1
Profit on sale of shares	—	0.6
	$3.5	$3.7

John Labatt Limited

Labatt, Canada's largest brewer and a producer of a wide range of food and beverage products, reported gross sales for the nine months ended January 31, 1975 of Can. $542.4 million, compared with Can. $457.5 million for the same period a year ago. Net earnings were Can. $16.0 million, Can. $1.50 per common share (fully diluted—Can. $1.33), a decrease of 6% from the Can. $17.0 million, Can. $1.62 per share, earned during the same period the previous year. Delays in obtaining beer price increases to offset rapidly increasing costs contributed to the decline in earnings. While the first half of the year was a period of slow growth for the industry and the company, the company's beer sales and share of the market improved during the third fiscal quarter.

Earnings in the consumer food group were slightly higher than last year, while industrial grain products earnings decreased. The Company has a 31.4% interest in the common shares of Labatt (24.4% on a fully diluted basis).

Hudson's Bay Company

Hudson's Bay Company showed earnings of Can. $18.4 million or Can. $1.33 per share for the year ended January 31, 1975, compared with Can. $17.6 million or Can. $1.29 per share the previous year. Total sales were ahead 24% to Can. $1,022 million, with retail revenue at Can. $781 million, up 22%.

One of Canada's largest retailers, with interests in property development, oil and gas, and the fur trade, Hudson's Bay during the year added three major department stores, three smaller department stores, and 13 catalogue stores. Brascan has a 6.6% interest in the company.

Interest under Telephone Sale Agreement

Brazil

Maturing interest and principal instalments under the Brazilian Government-guaranteed obligations covering the unpaid balance of the sale price of the telephone utilities were remitted in full in 1974. The required proportion, 75% of the principal instalments received was transferred back to Brazil for reinvestment in the Company's diversified non-utility operations.

Corporate Expenses

The increase of $5.1 million in corporate expenses is principally attributable to interest on long-term borrowings being reflected in 1974 for a full year, whereas the 1973 expense was for approximately seven months.

Research and Development

Brascan Nordeste

This Company-sponsored non-profit foundation is continuing its research programs to improve agricultural production and processing methods in Northeast Brazil. In a project undertaken with the University of Bahia, Brascan Nordeste is working to develop more productive varieties of manioc, corn and other field crops. One of the basic staples of the area, manioc also has commercial and export potentials. In this project, Brascan Nordeste is also co-operating with the world-wide manioc program sponsored by the Canadian International Development Agency, with active participation from the University of Guelph.

Review of Financial Position 1974*

The consolidated balance sheet of the Company is on pages 26 and 27. The statements on pages 28 to 32 provide detailed analysis of current assets and liabilities, fixed assets, long-term debt and retained earnings. The following comments deal with the significant changes during the year.

Statement of Consolidated Current Assets and Liabilities

Brazil

Cash and Treasury bills and other short-term investments

These two statement captions show a decrease of $63.5 million during 1974. Substantial additions to plant by Light were the major factor contributing to this decline.

Interest-bearing secured loans

The December 31, 1974 balance of $70.4 million represents an increase of $13.1 million from the comparable figure reported in the prior period. This increase is primarily attributable to new business generated by Banco Brascan, as is the $18.9 million increase in interest-bearing secured loans included in the "Other Assets" section of the Consolidated Balance Sheet.

Industrial inventories

Approximately $10.2 million of the $12.2 million increase is directly related to Peixe, while the balance is accounted for by the inventories of companies acquired during the year.

Peixe's inventories were unusually low at December 31, 1973, as a result of shortages which were being experienced at the time. A substantial increase in volume, combined with a more normal supply situation, accounts for the increase in the inventory level.

Short-term deposits

The $12.7 million increase reflects the growth of banking business enjoyed by Banco Brascan during the year.

Canada and Other

Deposit receipts

Deposit receipts declined by $33.3 million during the year. Approximately $15 million was applied to reduce bank indebtedness, while $18 million was employed in the Company's investment program.

Accounts receivable and other

Increased activity by the Trading Group combined with an increase in deposits and prepaid expenses accounted for the major portion of the $8.3 million increase.

Consolidated Balance Sheet

Investments

The various captions included in the "Investments" section of the Balance Sheet consist of the following:

Brazil

Shares and debentures at cost less amounts written off

	$ millions	
	1974	1973
Portfolio of listed securities and debentures	$ 4.9	$ 4.6
Shares in state power companies	4.2	4.2
Other equities (principally F.N.V., and Eucatex)	7.9	7.6
	$17.0	$16.4

*The Company's financial statements are expressed in United States currency and all references to dollars in this Review are to United States dollars unless otherwise indicated.

Shares of and loans to corporate joint ventures on the equity method

	$ millions 1974	1973
Swift-Armour S.A.	$13.4	$19.8
Skol Caracu	12.6	11.0
Paratí	.8	.3
Delmar	.8	
Embrasca	2.2	
	$29.8	$31.1

The reduction of $6.4 million in Swift-Armour S.A. is due principally to the repayment in 1974 of a loan to it.

Canada and Other

Shares of Canadian companies at cost

	$ millions 1974	1973
John Labatt Limited	$44.5	$44.5
Hudson's Bay Company	13.0	13.0
	$57.5	$57.5

Shares of Canadian companies at cost less amounts written off (no quoted market value)

	$ millions 1974	1973
Elf Oil Exploration and Production Canada Ltd.	$29.8	$31.8
Other	.5	.4
	$30.3	$32.2

In January 1974 the fifth and final instalment of Can. $8 million for this investment was paid. A substantial portion of the cost to the Company of these holdings has been used by Elf to finance its drilling and exploration expenditures, the tax deductibility of which is being renounced in favour of Brascan Resources Limited and is available as an offset against such taxable income as may arise from its future operations. As discussed on page 14 under the heading "Natural Resources" in the "Review of Operations" the carrying value (cost) was reduced by $10 million in 1974.

Other investments at cost

	$ millions 1974	1973
Austen and Butta Limited	$ 3.4	$ 3.4
Other	1.0	1.1
	$ 4.4	$ 4.5

Other Assets—Brazil

Utility materials and supplies

The $20.8 million increase is directly attributable to the significant increase in Light's capital expenditure program as well as Brazilian and world-wide inflation in 1974.

Property, plant and equipment—Brazil

Other

The principal addition to this category is the Gávea Hotel. Expenditures in the year to complete construction aggregated $10.6 million. The fixed assets of Metal Forty and Jacundá, new acquisitions in 1974, totalled $7.4 million. Further capital expenditures at Peixe amounted to $1.8 million.

Long-term debt

Brazil

During 1974 Light arranged Eurodollar loans totalling $95 million. Drawdowns commenced in 1974 on previously arranged loans from the Export Development Corporation of Canada and from a Canadian chartered bank. Such drawdowns together with additional supplier financing amounted to $10.4 million.

Canada and Other

Early in 1974 a Can. $25 million term credit was arranged, payable 1975-1980, and the proceeds of this loan were employed to complete the retirement of shorter-term bank indebtedness.

Capital

Shareholders of record at July 1, 1974 received a 10% stock dividend, aggregating 2,564,523 ordinary shares.

At December 31, 1974, 11.2% (11.3% in 1973) of the Company's ordinary shares were represented by bearer share warrants, including the fractional shares resulting from stock dividends which were not converted into whole shares.

The geographical groupings of registered shares and shareholders at December 31 were as follows:

Shares 1974	Shares 1973		Shareholders 1974	Shareholders 1973
58.0%	55.2%	Canada	53.1%	52.0%
37.1	39.7	United States	45.0	46.1
3.2	3.3	U.K. and Eire	1.2	1.2
1.7	1.8	Other countries	.7	.7
100.0%	100.0%		100.0%	100.0%
25,094	22,726	Total registered (000)	39.4	37.8

Shareholders' Equity

Shareholders' equity amounted to $1,002.1 million, or $35.47 per share, at the end of 1974 compared with $918.4 million, or $32.51 per share*, at December 31, 1973.

Shareholders' Equity per Ordinary Share

	1974			1973*		
	Brazil	**Canada and other**	**Total**	Brazil	Canada and other	Total
Electric utilities	**$ 22.97**	**$ 1.60**	**$ 24.57**	$ 20.61	$ 1.51	$ 22.12
Financial services and trading	**3.82**	**.12**	**3.94**	3.02	.20	3.22
Tourism and real estate	**.50**		**.50**	.19		.19
Natural resources	**.04**	**3.28**	**3.32**		3.40	3.40
Consumer goods and services	**1.33**	**2.04**	**3.37**	1.38	2.03	3.41
	28.66	**7.04**	**35.70**	25.20	7.14	32.34
Other corporate assets						
Brazilian government-guaranteed obligations	**2.13**		**2.13**	2.27		2.27
Long-term debt and bank indebtedness		**(3.09)**	**(3.09)**		(3.57)	(3.57)
Net current assets and other		**.73**	**.73**		1.47	1.47
Total (per ordinary share)	**$ 30.79**	**$ 4.68**	**$ 35.47**	$ 27.47	$ 5.04	$ 32.51
Total ($ millions)	**$ 870.1**	**$ 132.0**	**$ 1,002.1**	$ 776.1	$ 142.3	$ 918.4

*Adjusted to give effect to the 10% stock dividend paid July 31, 1974.

Summary of Accounting Policies

A summary of the Company's major accounting policies is presented below to assist the reader in evaluating the financial statements and other data contained in this report.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and all its majority-owned subsidiaries. Acquisition costs of each purchased subsidiary are allocated to that subsidiary's identifiable net assets on the basis of estimated fair values at the date of acquisition with any excess being carried as goodwill; such goodwill, included in sundry assets on the balance sheet, is amortized over its estimated useful life (not exceeding 40 years) subject to the writing off of additional amounts where it is estimated that the value of the unamortized balance has been permanently impaired.

Basis of accounting for non-consolidated long-term intercorporate investments

The Company accounts for its investments in corporate joint ventures on the equity method. Under this method the Company's investment in such companies is carried on the balance sheet at cost plus its share of undistributed earnings. The Company's share of the annual net earnings of a corporate joint venture is computed in the same manner as for consolidated subsidiaries (including amortization of any goodwill) and is reflected currently in income rather than when realized through dividends.

The Company carries its investments in non-effectively controlled companies (other than corporate joint ventures) at cost or, where it is estimated that there has been a permanent decline in value, at cost less amounts written off in recognition of such decline.

Translation of foreign currencies

The Company's financial statements are expressed in United States dollars. Assets, liabilities, revenues and expenses in other currencies have been translated into United States dollars as follows:

(a) Current assets and current liabilities at the rates of exchange prevailing at the balance sheet date;

(b) Long-term debt at the rates prevailing when the proceeds were converted;

(c) Other assets and liabilities at the rates prevailing when they were acquired or incurred;

(d) Revenues and expenses at average rates for the period except for depreciation and depletion provisions, which are at the rates used for the translation of the related assets.

When the cruzeiro is devalued relative to the United States dollar during the year, the application of the above translation procedures gives rise to exchange losses (with respect to cruzeiro assets) and exchange gains (with respect to cruzeiro liabilities). The net amounts of such gains and losses, together with similar adjustments with respect to other currency balances held by the Company or its subsidiaries, are included in income as foreign exchange adjustments.

In 1974 the Company adopted the practice of reporting total compensation earned or incurred on interest-bearing assets or liabilities in Brazil as interest income or interest expense respectively. This reclassification has not altered previously reported net income. In prior years the Company's policy had been to segregate an inflation component from such compensation and to include this component in income as part of foreign exchange adjustments. In those years a substantial portion of the Company's holdings of interest-bearing securities in Brazil carried an inflation component specifically identified either within the terms of the security itself or by income tax legislation. The absence of this identifiable component in most of the Company's interest-bearing assets and liabilities in Brazil in 1974 has rendered the prior policy inappropriate. The change in accounting practice, which reflects these changed circumstances, has been given retroactive effect for all interest-bearing assets and liabilities in Brazil and the 1973 comparative figures have been reclassified accordingly. Because Brazilian investment income and expense now include inflationary components previously reported as part of foreign exchange adjustments, it is no longer appropriate to report income before foreign exchange adjustments on a per share basis.

Income and withholding taxes

The Company accounts for income and withholding taxes on the tax allocation basis.

Full provision has been made (in current liabilities) for withholding taxes on inter-company interest accrued and on subsidiaries' earnings to the extent that distribution of such earnings by way of cash dividends is expected in the following year.

Utility operations—Brazil

(a) Revenue recognition—

The rate structure regulations, establishing what is known as "service at cost", became effective in 1965. Service at cost involves setting customers rates for electricity at a level which will produce operating revenues sufficient to cover (i) operating expenses of the service, (ii) provisions for depreciation and reversion (see below), (iii) the allowable return on the rate base, and (iv) adjustment for prior years' accumulated deficiency or surplus.

The main components of the rate base are the year-end balance of plant in service (at depreciated net book value in cruzeiros monetarily corrected by annual co-efficients to offset the inflationary decline of the currency) and an allowance for working capital.

Electric rates are established periodically based on forecasts of costs and sales volume for the coming tariff period and the estimated year-end rate base. These estimates are filed with the regulatory authority as part of the application for rate revision. New rates come into force after review of the application and approval or modification by the regulatory authority. Because rates are based on estimates there will always be, in any one year, some surplus or deficiency. If there is a surplus (i.e. when billings to customers exceed "service at cost"), this amount must be taken into account in establishing rates in subsequent years and is accordingly excluded from current operating revenues and income and deferred to such subsequent years. If there is a shortfall in revenues, the deficiency is only recoverable from future rates and is taken into income when received.

(b) Depreciation and accumulated amortization—

Depreciation has been provided at the rate prescribed by the regulatory authority (being approximately 3% of monetarily corrected cruzeiro depreciable plant on a straight-line basis).

The provision for amortization (accumulated prior to 1953) may be required to cover part of the undepreciated cost of certain utility properties upon their reversion or other transfer to conceding authorities.

(c) Reversion—

Regulations require that certain funds (known as reversion funds) generated by the rates (and computed at an annual rate of approximately 3% of gross monetarily corrected cruzeiro plant) be paid on a current basis to Eletrobrás, the federal power agency, to be used in partial settlement of the compensation upon ultimate reversion of the plant to the conceding authority and/or as a pool of funds to help finance electric utility expansion programs throughout Brazil.

In 1971 and prior years, the Company's electric subsidiary was permitted to retain and invest these reversion funds in additions to plant which form a part of the rate base for calculating allowable return. These funds are shown as accumulated reversion on the consolidated balance sheet.

This accumulated reversion is not repayable, but would be deducted from the value of the utility assets upon reversion to the conceding authority. Interest at the rate of 10% (computed on accumulated reversion after annual monetary correction) is payable on a current basis to Eletrobrás.

(d) Customers' contributions for line extensions—

Regulations call for the costs of certain line extensions and new connections to be borne by the consumer. Such costs are included in property, plant and equipment and the related cost recoveries are shown as customers' contributions for line extensions. These contributions are not repayable and do not bear interest but are deducted in determining the rate base upon which the allowable return is calculated and its value upon reversion to the conceding authority.

(e) Retirements—

Profits or losses on normal disposals of utility property, plant and equipment are credited or charged to accumulated depreciation.

(f) Materials and supplies—

Utility materials and supplies are valued at cost, determined under the average cost method.

(g) Allowance for interest on funds used in construction—

Interest is charged to construction work in progress and credited to income at the average rate for the year applied to the year-end balance of such construction as prescribed by the regulatory authority. The average rate is computed as a weighted average of the interest rates on loan funds and the allowable rate of return (see (a) above) on internal funds employed to finance construction during the year.

Electric utility operations—Canada

(a) Depreciation—

Depreciation has been provided on the cost of depreciable electric utility plant at a rate of 2½% on a straight-line basis.

(b) Retirements—

Profits and losses on normal disposals of property, plant and equipment are credited or charged to accumulated depreciation.

(c) Allowance for interest on funds used in construction—

Interest is charged to construction work in progress and credited to income at a rate approximating the cost of borrowed funds.

Natural resource operations

(a) Oil and gas properties—

The Company follows the full cost method of accounting whereby all costs associated with exploration for and development of oil and gas reserves are capitalized and charged against income as set out below. Such costs include land acquisition costs, geological and geophysical expenditures, carrying charges of non-producing property, costs of drilling both productive and non-productive wells, and overhead expenses related to exploration activities. The costs are accumulated in cost centres as follows:

(i) Canada (excluding the Arctic)

(ii) Arctic

(iii) Foreign areas

Depletion is provided each year on costs accumulated in the Canada cost centre in the proportion that the year's production of oil and gas bears to proven reserves (the composite unit of production method). Expenditures incurred in the Arctic and in foreign areas are being deferred pending the results of exploration still in progress in each area. These costs will be depleted, by cost centre, on the basis of reserves discovered in each area, or written off to income if exploration activities prove unsuccessful.

(b) Oil and gas equipment—

Oil and gas equipment costs are depreciated on the unit of production basis.

(c) Coal and mineral properties—

Costs relating to individual coal and mineral properties, including acquisition costs, exploration and development expenditures and administrative overhead, are capitalized until such time as it is determined whether commercially exploitable reserves exist. Costs associated with prospects determined to be unsuccessful or abandoned are charged to income.

The accumulated costs capitalized on individual commercially exploitable prospects, along with related plant and equipment costs, are amortized or depreciated on a unit of production basis.

Other operations

(a) Industrial inventories—

Industrial inventories are carried at the lower of average cost or market.

(b) Depreciation—

Depreciation of equipment and other physical property and amortization of leasehold improvements are provided at various rates calculated to extinguish the related book values over their estimated useful lives.

Statement of Consolidated Income

for the years ended December 31

(Expressed in thousands of United States dollars)

	1974	1973
Electric utility—Brazil:		
Operating revenues (note 1)	**$799,416**	$625,409
Operating revenue deductions—		
Purchased power	**380,069**	259,105
Fuel oil	**1,731**	5,046
Salaries, wages and other operating expenses	**172,550**	143,499
Depreciation	**34,973**	28,921
Reversion	**43,525**	37,962
	632,848	474,533
Operating income	**166,568**	150,876
Income deductions—		
Interest expense—net (note 1)	**9,736**	12,768
Income on short-term investments (note 2)	**(14,452)**	(21,927)
Foreign exchange adjustments (note 2)	**2,861**	(917)
Gain on disposal of surplus assets	**(8,975)**	
Equity of minority shareholders	**27,706**	24,431
Income and withholding taxes (notes 1 and 3)	**30,823**	29,550
	47,699	43,905
Net electric utility income—Brazil (note 1)	**118,869**	106,971
Investment and industrial operations (per statement attached):		
Brazil	**4,363**	22,066
Canada and other	**9,231**	7,625
Net investment and industrial operations income	**13,594**	29,691
Income before general corporate expenses	**132,463**	136,662
General corporate expenses:		
Interest on long-term debt	**9,483**	5,270
Other corporate expenses	**3,757**	2,847
	13,240	8,117
Income before extraordinary item	**119,223**	128,545
Extraordinary item (note 5)	**(10,000)**	
Net income for year	**$109,223**	$128,545
Average number (in thousands) of ordinary shares (Class A and Class B) outstanding for year	**28,215**	28,174 *
Earnings per ordinary share		
Income before extraordinary item	**$ 4.23**	$ 4.56 *
Extraordinary item	**(.36)**	
Net income for year	**$ 3.87**	$ 4.56

*Adjusted for stock dividend paid July 31, 1974

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Investment and Industrial Operations Income

for the years ended December 31

(Expressed in thousands of United States dollars)

	1974			1973		
	Brazil	Canada and other	Total	Brazil	Canada and other	Total
Investment and industrial operations income by segment:						
Income (loss) before unallocated expenses (note 4):						
Electric utility—Canada		$ 5,286	$ 5,286		$ 2,417	$ 2,417
Financial services and trading	$ 6,558	(1,021)	5,537	$14,015	(492)	13,523
Natural resources	(824)	230	(594)	(765)	241	(524)
Tourism and real estate	155		155	141		141
Consumer goods and services—Subsidiaries' operations	(1,123)		(1,123)	(312)		(312)
Equity in income of corporate joint ventures	2,045		2,045	5,338		5,338
	6,811	4,495	11,306	18,417	2,166	20,583
Dividends and profits on sale of shares	1,286	3,473	4,759	4,007	3,732	7,739
Interest under telephone sale agreement	3,622		3,622	3,833		3,833
Other interest income		2,962	2,962		2,509	2,509
	11,719	10,930	22,649	26,257	8,407	34,664
Expenses not allocated by segment:						
Income and withholding taxes	(3,164)	(1,699)	(4,863)	(1,877)	(782)	(2,659)
General administrative expenses	(4,192)		(4,192)	(2,314)		(2,314)
	$ 4,363	$ 9,231	$13,594	$22,066	$ 7,625	$29,691

The following expenses have been deducted in arriving at income (loss) before unallocated expenses:						
Interest	$ 16,239	$ 842	$ 17,081	$ 13,141	$ 526	$ 13,667
Depreciation and depletion	1,777	3,015	4,792	482	1,681	2,163
Minority interest	251	12	263	597	15	612
Foreign exchange adjustments	19,383	(227)	19,156	532	89	621

(See accompanying summary of accounting policies and notes)

Brascan LIMITED AND SUBSIDIARY COMPANIES

(Incorporated under the laws of Canada)

Consolidated Balance Sheet

(Expressed in thousands of United States dollars)

Assets	December 31 1974	1973
Current assets (per statement attached):		
Brazil	**$ 250,077**	$ 284,622
Canada and other	**58,432**	85,885
	308,509	370,507
Investments:		
Brazil—		
Government-guaranteed obligations (note 6)	**56,401**	60,307
Shares and debentures at cost less amounts written off	**17,062**	16,377
Shares of and loans to corporate joint ventures on the equity method	**29,846**	31,091
	103,309	107,775
Canada and other—		
Shares of Canadian companies at cost (quoted market value 1974—$59,697; 1973—$84,702)	**57,484**	57,484
Shares of Canadian companies at cost less amounts written off (no quoted market value) (note 5)	**30,316**	32,166
Other investments at cost	**4,437**	4,534
	92,237	94,184
Other assets:		
Brazil—		
Utility materials and supplies at average cost	**45,848**	25,067
Interest-bearing secured loans	**18,926**	51
Long-term finance and leasing contracts receivable	**7,219**	4,316
Sundry including long-term receivables	**10,522**	7,145
	82,515	36,579
Canada and other—		
Securities and cash on deposit with trustee under trust indenture	**1,294**	4,404
Deferred mine development expenditures and coal licences (note 8)	**12,767**	11,235
Long-term receivable (note 12)	**5,908**	5,672
Sundry including debt discount and issue expenses	**5,599**	4,192
	25,568	25,503
Property, plant and equipment at cost less accumulated depreciation, depletion and amortization (per statement attached):		
Brazil	**1,207,600**	960,719
Canada and other	**99,674**	89,424
	1,307,274	1,050,143
	$1,919,412	$1,684,691

(See accompanying summary of accounting policies and notes)

Liabilities

	December 31 1974	1973
Current liabilities (per statement attached):		
Brazil	**$ 236,202**	$ 211,294
Canada and other	**40,926**	33,564
	277,128	244,858
Other liabilities:		
Brazil—		
Long-term debt (per statement attached)	**178,026**	82,532
Accumulated reversion	**164,618**	164,618
Customers' contributions for line extensions	**38,992**	38,180
Minority interest	**133,643**	109,466
Other long-term liabilities	**21,958**	7,464
	537,237	402,260
Canada and other—		
Long-term debt (per statement attached)	**93,590**	78,899
Bank indebtedness		34,000
Minority interest	**450**	456
Deferred income taxes	**8,903**	5,785
	102,943	119,140
Shareholders' equity:		
Capital (note 14)—		
Authorized:		
964 6% cumulative convertible preference shares of a par value of Can. $100.00 each (1973—969 shares)		
5,000,000 second preferred shares of a par value of Can. $20.00 each		
60,000,000 ordinary (Class A and Class B) shares of no par value		
Issued and outstanding:		
964 6% preference shares (1973—969)	**96**	97
28,254,912 ordinary (Class A and Class B) shares (1973—25,612,726)	**199,246**	195,337
	199,342	195,434
Retained earnings	**802,762**	722,999
	1,002,104	918,433
	$1,919,412	$1,684,691

On behalf of the Board:

J. H. Moore
A. J. MacIntosh } Directors

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Current Assets and Liabilities

(Expressed in thousands of United States dollars)

	December 31 1974	December 31 1973
Brazil (notes 7 and 9):		
Current assets—		
Cash	**$ 40,765**	$ 12,636
Treasury bills and other short-term investments	**36,129**	127,810
Government-guaranteed obligations due within one year (note 6)	**3,907**	3,686
Interest-bearing secured loans	**70,381**	57,310
Finance and leasing contracts receivable	**20,518**	19,169
Accounts receivable	**63,105**	60,979
Industrial inventories at lower of average cost or market	**15,272**	3,032
	250,077	284,622
Current liabilities—		
Bank indebtedness	**15,004**	2,094
Accounts payable and accrued charges	**119,311**	126,388
Income and other taxes payable	**46,628**	43,667
Current portion of long-term debt	**9,984**	5,595
Bills of exchange payable	**12,917**	15,119
Interest and dividends due and accrued	**4,831**	3,570
Short-term deposits	**27,527**	14,861
	236,202	211,294
Net current assets (Brazil)	**13,875**	73,328
Canada and other:		
Current assets—		
Cash	**4,131**	3,805
Deposit receipts	**28,680**	61,996
Marketable investments at cost (quoted market value 1974—$246; 1973—$2,606)	**390**	3,120
Accounts receivable and other	**25,231**	16,964
	58,432	85,885
Current liabilities—		
Bank indebtedness	**2,978**	6,692
Accounts payable and accrued charges	**19,161**	14,654
Dividends and interest due and accrued	**10,989**	10,836
Income and other taxes payable	**619**	1,102
Current portion of long-term debt	**7,179**	280
	40,926	33,564
Net current assets (Canada and other)	**17,506**	52,321
Total net current assets	**$ 31,381**	$125,649

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Property, Plant and Equipment

(Expressed in thousands of United States dollars)

	December 31 1974	December 31 1973
Brazil:		
Electric utility—		
Plant in service	$1,383,217	$1,210,913
Construction work in progress	199,655	117,934
Other physical property	2,236	2,738
Total, at cost	1,585,108	1,331,585
Less accumulated depreciation	405,699	377,301
	1,179,409	954,284
Unrealized balance of gas company assets (note 10)	26,923	26,923
	1,206,332	981,207
Less accumulated amortization	34,389	34,389
	1,171,943	946,818
Other—		
Land and buildings	22,517	4,469
Machinery, equipment, furniture and leasehold improvements	18,132	6,280
Construction work in progress	373	6,408
Total, at cost	41,022	17,157
Less accumulated depreciation, depletion and amortization	5,365	3,256
	35,657	13,901
	$1,207,600	$ 960,719
Canada and other:		
Electric utility plant	$ 84,368	$ 79,629
Oil and gas properties (note 13)	37,480	30,869
Mineral properties	4,678	3,695
Oil and gas equipment	2,426	1,928
Office furniture, equipment and leasehold improvements	1,063	797
Total, at cost	130,015	116,918
Less accumulated depreciation, depletion and amortization	30,341	27,494
	$ 99,674	$ 89,424

(See accompanying summary of accounting policies and notes)

Statement of Changes in Consolidated Financial Position

for the years ended December 31

(Expressed in thousands of United States dollars)

	1974	1973
Funds provided:		
Operations, after deducting dividends paid to minority shareholders (1974—$13,058; 1973—$11,528)	**$147,061**	$156,420
Long-term borrowings excluding those incurred to finance acquisitions	**145,592**	38,170
Sale of property, plant and equipment	**16,010**	1,461
Increase in holdings of minority shareholders	**9,313**	3,254
Current portion of sale price of telephone utilities	**3,906**	2,785
Shares issued	**1,344**	
Customers' contributions for line extensions	**812**	308
	324,038	202,398
Funds used:		
Expenditures on property, plant and equipment	**283,080**	135,943
Reduction in long-term debt	**53,933**	5,970
Increase (decrease) in loans and long-term finance and leasing contracts	**21,778**	(11,133)
Increase in utility materials and supplies	**20,781**	572
Increase in non-utility investments	**7,921**	16,425
Net funds used on acquisition of subsidiaries*		4,359
Deferred mine development expenditures	**881**	3,893
Dividends—ordinary and preference	**26,896**	25,571
Miscellaneous changes in various assets and liabilities	**3,036**	1,896
	418,306	183,496
(Decrease) increase in net current assets	**(94,268)**	18,902
Net current assets at beginning of year	**125,649**	106,747
Net current assets at end of year	**$ 31,381**	$125,649

*Net funds used on acquisition of subsidiaries—

Net non-fund assets of subsidiaries acquired	$ 68,359
Less long-term portion of borrowing incurred to finance acquisitions	64,000
	$ 4,359

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Retained Earnings

for the years ended December 31

(Expressed in thousands of United States dollars)

	1974	1973
Balance at beginning of year	**$722,999**	$620,025
Net income for year	**109,223**	128,545
	832,222	748,570
Deduct dividends:		
Cash—		
Preference (Can. $6.00 per share)	**6**	6
Ordinary (note 14)	**26,890**	25,565
Stock—		
Ordinary (U.S. $0.10 per share)	**2,564**	
	29,460	25,571
Balance at end of year	**$802,762**	$722,999

Statement of Consolidated Long-Term Debt—Canada and Other

(Expressed in thousands of United States dollars)

	December 31	
	1974	1973
Bank term credit at a rate 1¼% above the minimum commercial bank lending rate in Canada, due semi-annually 1975 to 1980, payable in Canadian dollars	**$ 25,620**	
Great Lakes Power Corporation Limited:		
First mortgage sinking fund bonds, payable in Canadian dollars		
4½% due 1976	**2,600**	$ 2,745
10% due 1990*		2,775
Sinking fund debentures, payable in Canadian dollars		
4¼% due 1975	**2,979**	3,020
5¾% due 1977	**3,650**	3,739
Brascan International B.V. (guaranteed by Brascan Limited):		
8.3% loan from a consortium of Japanese banks due annually 1982 to 1988, payable in U.S. dollars	**30,000**	30,000
8½% bonds due annually 1979 to 1988, payable in Deutsche marks (equivalent to $41,500 at year-end rate)	**35,920**	36,900
	100,769	79,179
Less current portion included in current liabilities	**7,179**	280
	$ 93,590	$ 78,899

*Acquired by the Company in 1974.

Maturities and sinking fund requirements during the next five years are as follows:

1975—$7,179	1978—$4,099
1976— 6,799	1979— 5,895
1977— 7,549	

(See accompanying summary of accounting policies and notes)

Statement of Consolidated Long-Term Debt—Brazil (note 7)

(Expressed in thousands of United States dollars)

	December 31	
	1974	1973
Amounts due to International Bank for Reconstruction and Development, 4¼% and 6% loans, due semi-annually 1975 to 1978, payable in various currencies	**$ 4,555**	$ 6,760
Brascan International B.V.*:		
8¼% bonds due annually 1975 to 1987, payable in U.S. dollars (guaranteed by Brascan Limited)	**20,000**	20,000
Light-Serviços de Eletricidade S.A.		
United States of America Alliance for Progress 5½% loan, due in equal semi-annual instalments 1975 to 1984, payable in U.S. dollars or, at the lender's option, in equivalent cruzeiros	**25,803**	28,383
Morgan Guaranty Trust Company of New York loan at rates subject to periodic adjustment to 1¾% over the London interbank rate, due semi-annually 1975 to 1978, payable in U.S. dollars	**30,000**	30,000
Loan from consortium of banks at rates subject to periodic adjustment to 1% over the London interbank rate, due semi-annually 1978 to 1986, payable in U.S. dollars	**75,000**	
Export Development Corporation 7½% loan, due in equal semi-annual instalments 1977 to 1988, payable in Canadian dollars	**6,918**	
First National City Bank loan, at a rate of 2¼% over the London interbank rate, due semi-annually 1977 to 1983, payable in U.S. dollars	**20,000**	
Canadian Imperial Bank of Commerce 9½% loan, due semi-annually 1977 to 1979, payable in Canadian dollars	**1,425**	
Supplier financing, due semi-annually 1975 to 1979, payable in U.S. dollars	**4,309**	2,984
	188,010	88,127
Less current portion included in current liabilities	**9,984**	5,595
	$178,026	$ 82,532

*Proceeds loaned to Light-Serviços de Eletricidade S.A.

Maturities and sinking fund requirements during the next five years are as follows:

1975—$ 9,984	1978—$25,251
1976— 13,774	1979— 18,624
1977— 19,265	

(See accompanying summary of accounting policies and notes)

Notes to Consolidated Financial Statements

(Dollar amounts in thousands)

1. **Electric utility operations—Brazil**

(a) Operating revenues—

Since January 1, 1972 the rate of return allowed on the rate base has been 12%.

Billings in 1974, after taking into account 1973 and prior years' surpluses, were not sufficient to cover "service at cost" (see summary of accounting policies) by approximately $6,834.

(b) Corporate profits taxes—

Since January 1, 1972 the provision for these taxes has been made at 6%, the rate applicable to electric utilities.

(c) Interest expense—net

The components of net interest expense are as follows:

	1974	1973
Interest on long-term debt	$13,154	$ 7,243
Reversion interest	17,736	17,448
	30,890	24,691
Allowance for interest on funds used in construction	(21,154)	(11,923)
	$ 9,736	$12,768

For a description of reversion interest and of allowance for interest on funds used in construction, see the summary of accounting policies.

(d) Rate base—

All rate adjustments that have been approved to date under the "service at cost" system are provisional as they relate to the calculation by the Company's electric subsidiary of its own rate base. A Government Commission has determined the physical existence and the monetarily corrected cruzeiro cost less applicable depreciation of the plant in service as at December 31, 1964 together with net additions at cost to December 31, 1972. Approval of the Commission's findings was promulgated in March 1974. These cruzeiro values, together with subsequent monetary corrections, were approximately 0.3% below the equivalent book value at December 31, 1972. Electric income from January 1, 1965 may be subject to adjustment through future rates to reflect these findings.

2. **Change in accounting policy**

As a result of the retroactive change in the accounting practice for classifying Brazilian interest income and expense (see summary of accounting policies), approximately $24,000 (net) previously reported as foreign exchange adjustments (credit) has been reclassified as interest income and expense with respect to the year ended December 31, 1973 in the segments to which it relates. This reclassification did not alter previously reported net income for that year.

3. **Withholding taxes—Brazil**

Interest and dividend payments from subsidiaries in Brazil are subject to regular Brazilian withholding taxes at rates of 5% (temporarily reduced from 25% effective October 23, 1974) and 25%, respectively, and provision has been made for such taxes (see summary of accounting policies).

The law further provides that, should net dividend remittances to a company's foreign shareholders exceed 12% of the dollar amount of registered capital averaged over the preceding three years, additional taxes would be payable on a graduated scale from 40% to 60%.

4. **Gross operating revenue**

The gross operating revenue of the various segments is as follows:

	1974	1973
Brazil—		
Electric utility	$799,416	$625,409
Financial services (note 2)	45,509	30,906
Consumer goods and services	25,238	15,950
Canada and other—		
Electric utility	18,070	7,839 *
Financial services and trading	14,460	6,440
Natural resources	3,030	1,705

*for six months only

5. **Shares of Canadian companies at cost less amounts written off (no quoted market value)**

The Company, through Brascan Resources Limited, holds a 15% equity interest in Elf Oil Exploration and Production Canada Ltd. at a cost of Can. $40,000. The major portion of this investment has financed exploration expenditures by Elf, the tax deductibility of which is being renounced in favour of Brascan Resources (see note 11). Elf is engaged in oil and gas exploration in the Arctic Islands, Beaufort Sea, Hudson Bay and other areas. Total oil and gas acreage of Elf amounts to 55 million gross acres, 22 million net acres.

While the Company is not contemplating the disposal of this investment, current estimates indicate that if it were to be disposed of under present circumstances a loss would be incurred. In recognition of such a potential loss, the carrying value of this investment has been reduced by $10,000 through an extraordinary charge against 1974 income.

6. **Government-guaranteed obligations**

This amount, together with interest at 6%, is receivable in equal quarterly instalments from January 1, 1976 to January 1, 1986 with respect to the sale of the Company's telephone utilities in 1966 to an agency of the Federal Government of Brazil. Payments under the sale agreement carry the guarantee of that Government.

The Company is obligated to reinvest 75% of the principal in other enterprises in Brazil over the term of the agreement. The amounts receivable within one year are included under current assets.

Under the terms of the Canadian bank term credit of $26 million, these holdings may not be sold or otherwise encumbered without the prior written consent of the lenders.

7. Long-term debt—Brazil

The amounts due to International Bank for Reconstruction and Development are evidenced by obligations of Light—Serviços de Eletricidade S.A. (Light) under various agreements and by Collateral Trust Bonds of Brascan Limited.

Together with all other long-term debt—Brazil (with the exception of supplier financing) these amounts are secured by debentures of Light carrying a floating charge on its assets. These assets consist principally of utility plant in service, construction work in progress, utility materials and supplies, and approximately $92,400 of current assets.

A $20,000 secured loan due 1976 to 1993 has been arranged by Light from the International Bank for Reconstruction and Development. No funds were drawn down under this loan in 1974.

8. Deferred mine development expenditures and coal licences

The Company, through Brascan Resources Limited, has a gross 12½% interest (7½% interest on a fully diluted basis) in certain coal licences for the Sukunka property in British Columbia. The Company has options to purchase a further 47½% interest at a price of Can. $9,825 which are exercisable by the earlier of June 30, 1975 or three months after leases or permits have been issued and satisfactory arrangements have been agreed upon for the provision of transportation facilities. Under these options, the property is to be developed as a joint venture owned 60% by the Company, through its subsidiaries, and 40% by Brameda Resources Limited.

All mine development expenditures incurred in connection with the Sukunka coal project have been deferred as these activities are in the exploration and development stage.

The Company has been holding discussions with prospective partners and has been negotiating with the Government of British Columbia on transportation facilities and other matters.

The future prospects of this project are contingent upon the results of all the foregoing negotiations, and the completion of the feasibility study indicating that it will be a viable project.

9. Exchange regulations

Remittances from Brazil are subject to the exchange regulations of that country. Inter-company interest and related sinking fund payments from the electric subsidiary, together with payments under the telephone sale agreement, are fully remittable in dollars. Dividend payments from the electric subsidiary, under current interpretation of the regulations, are 47.7% remittable in dollars (with the balance being available in cruzeiros in Brazil). In addition, dividend payments from the Brazilian investment subsidiaries are partially remittable in dollars.

10. Unrealized balance of gas company assets

This represents the book value of the unrealized balance of the assets of the São Paulo gas service expropriated in 1967 and the net book value of the gas plant in Rio de Janeiro which was transferred to a local Government authority in 1969.

The compensation receivable for these assets has not yet been determined, but no material loss on final settlement is expected.

11. Exploration expenditures available for income tax purposes

Brascan Resources Limited has drilling and exploration expenditures in Canada amounting to approximately $42,000 (arising both from its own operations and from those of other parties who have renounced in its favour the tax deductibility of similar expenditures made by them) which are available for application against such taxable income as may arise from its future operations.

12. Long-term receivable

This receivable, amounting to Can. $19,000 is due in annual instalments ranging from Can. $400 to Can. $800 to July 1, 2005, without interest, and is carried at its discounted value of $5,908 based on an assumed interest rate of 8%. The current portion is included in current assets.

13. Oil and gas properties

The following is a summary of the cost of oil and gas properties by cost centre and the related accumulated depletion as at December 31, 1974:

	Cost	Accumulated depletion	Net
Canada (excluding the Arctic) .	$35,330	$2,503	$32,827
Arctic	1,674		1,674
Foreign areas	476		476
	$37,480	$2,503	$34,977

As at December 31, 1974 the Company estimated its proven reserves in Western Canada at 213.4 billion cubic feet of gross raw gas and 4.0 million barrels of oil, and proven and probable reserves at 570.0 billion cubic feet of gross raw gas and 5.6 million barrels of oil.

14. Share capital

The authorized ordinary shares of the Company consist of Class A and Class B convertible ordinary shares without nominal or par value; the two classes rank equally in all respects except that dividends declared on Class B shares may be paid out of certain defined portions of retained earnings resulting in a different Canadian tax treatment when received by shareholders. The total Class A and B shares issued and outstanding at any one time may not exceed 30,000,000 shares.

During the year 470,129 Class A convertible ordinary shares were converted into Class B convertible ordinary shares. The ordinary share capital of the Company at December 31, 1974 is summarized below:

	Shares authorized	Shares issued
Class A convertible	30,000,000	27,648,045
Class B convertible	30,000,000	606,867
		28,254,912

Dividends paid on Class B shares are equivalent to those paid on Class A shares after consideration of the special 15% tax currently being paid by the Company to create tax-paid undistributed surplus on hand from which Class B dividends are paid.

Dividends on ordinary shares in 1974, together with the related tax on undistributed income consisted of the following:

	1974	1973
Cash—		
Class A convertible		
(U.S. $1.00 per share)	$26,405	$25,531
Class B convertible		
(U.S. $0.85 per share)	412	
(U.S. $0.213 per share)		29
Related tax paid on undistributed income		
(U.S. $0.15 per Class B share)	73	
(U.S. $0.037 per Class B share)		5
	26,890	25,565
Stock, issued as Class A convertible—		
Class A and B convertible		
(U.S. $0.10 per share)	2,564	
	$29,454	$25,565

Under the Company's share purchase plans, established in 1974, 77,630 Class A ordinary shares were issued at $17.31 per share during the year to officers (including certain directors) and employees, financed by interest-free loans from the Company. At December 31, 1974 the amount of these loans, included in sundry assets, was $1,207.

15. Comparative figures

Certain of the 1973 accounts have been reclassified to conform with the 1974 presentation.

16. Commitments and contingencies

Total commitments outstanding for construction, equipment, etc. were approximately $200,000. In addition, the Company's Brazilian investment bank is contingently liable as a guarantor on loans of approximately $16,000.

17. Remuneration of directors and officers

	Directors		Officers		Number of officers who were
	Number	Amount	Number	Amount	also directors
Paid by the Company	26	$134	16	$999	6
Paid by one subsidiary			1	101	1
Paid by another subsidiary			1	68	1

Auditors' Report

To the Shareholders of Brascan Limited:

We have examined the consolidated balance sheet and the statements of consolidated current assets and liabilities, property, plant and equipment and long-term debt of Brascan Limited and subsidiary companies as at December 31, 1974, and the statements of consolidated income, investment and industrial operations income, retained earnings and changes in consolidated financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the change in accounting for interest income and expense in Brazil, explained in the summary of accounting policies, with which change we concur.

Toronto, Canada
March 24, 1975

Clarkson, Gordon & Co.
Chartered Accountants

Comparative Statement of Consolidated Income

for the years ended December 31

(Expressed in thousands of United States dollars)

	1974	1973	1972
Electric utility—Brazil			
Operating revenues	**$799,416**	$625,409	$518,191
Operating revenue deductions:			
Purchased power	**380,069**	259,105	202,634
Fuel oil	**1,731**	5,046	2,382
Salaries, wages and other operating expenses	**172,550**	143,499	119,169
Depreciation	**34,973**	28,921	26,777
Reversion	**43,525**	37,962	32,860
	632,848	474,533	383,822
Operating income	**166,568**	150,876	134,369
Income deductions*	**47,699**	43,905	47,249
Net electric utility income—Brazil	**118,869**	106,971	87,120
Investments and industrial operations			
Brazil*	**4,363**	22,066	7,550
Canada and other*	**9,231**	7,625	5,652
	13,594	29,691	13,202
General corporate expenses	**13,240**	8,117	2,902
Net income before extraordinary items	**119,223**	128,545	97,420
Extraordinary items—credit (debit)	**(10,000)**		
Net income for year	**$109,223**	$128,545	$ 97,420

*Including foreign exchange adjustments.

(In accordance with current accounting practice the $18,815 loss on sale of the telephone utilities charged to retained earnings in 1965 would be classified as an extraordinary item.)

Operating Statistics of Light—Serviços de Eletricidade S.A.

	1974	1973	1972
Kilowatt hours sold (millions)			
Residential	**5,881**	5,433	4,966
Commercial	**4,448**	4,068	3,662
Industrial	**14,205**	12,761	11,126
Public utilities and others	**2,842**	2,695	2,648
Total	**27,376**	24,957	22,402
Customers (thousands)	**3,862**	3,699	3,485
Employees	**31,555**	27,584	25,968
Capacity of generating plants (kw thousands)	**2,064**	2,119	2,119
Transmission lines (miles of circuit)	**3,220**	3,105	2,962
Distribution network lines (miles of wire)	**187,411**	174,853	163,388
Transformer capacity (kva thousands)	**6,138**	5,514	4,961

1971	1970	1969	1968	1967	1966	1965
$425,039	$369,276	$302,802	$257,612	$249,531	$218,942	$165,075
150,476	129,012	91,341	61,516	53,768	47,249	33,295
9,674	2,889	16,812	14,254	9,800	11,453	10,449
101,442	85,807	73,477	65,734	66,618	52,354	40,206
25,409	23,747	22,212	20,564	19,271	31,202	25,944
29,192	27,220	19,635	17,853	18,128	15,978	13,896
316,193	268,675	223,477	179,921	167,585	158,236	123,790
108,846	100,601	79,325	77,691	81,946	60,706	41,285
38,320	42,543	31,237	32,541	37,721	28,418	21,871
70,526	58,058	48,088	45,150	44,225	32,288	19,414
8,277	3,936	6,733	5,739	4,578	5,270	(64)
7,317	6,461	7,043	5,945	4,260	3,333	1,828
15,594	10,397	13,776	11,684	8,838	8,603	1,764
2,339	1,949	1,804	1,281	1,492	1,627	1,698
83,781	66,506	60,060	55,553	51,571	39,264	19,480
			3,632		(2,885)	
$ 83,781	$ 66,506	$ 60,060	$ 59,185	$ 51,571	$ 36,379	$ 19,480

1971	1970	1969	1968	1967	1966	1965
4,651	4,162	3,882	3,504	3,145	2,862	2,642
3,278	3,037	2,827	2,554	2,266	2,149	2,032
9,972	8,585	8,090	7,209	6,262	6,131	5,313
2,409	2,135	2,081	2,062	1,972	1,655	1,654
20,310	17,919	16,880	15,329	13,645	12,797	11,641
3,273	3,056	2,847	2,662	2,535	2,403	2,285
25,866	25,216	24,549	23,449	22,949	21,562	19,319
2,119	2,119	2,121	2,121	2,148	2,147	2,147
2,932	2,818	2,779	2,668	2,650	2,534	2,504
149,300	137,613	123,334	112,515	104,062	97,036	91,873
4,421	4,119	3,564	3,190	2,846	2,504	2,285

NOTES

Earnings

Under Brazil's "service at cost system" the Company's allowable operating revenues from its electric utility service are based on the recovery of allowable costs, plus a return on the rate base. These can only be determined annually, after the end of the year, and as a result for any interim period can only be estimated. Interim period results are therefore subject to adjustment when the final allowable operating revenues are determined.

Any revenue which exceeds allowable levels is excluded from income, as it is available only for the purpose of meeting deficiencies of earnings or establishing rates in subsequent years. However, any deficiencies of earnings are only recoverable from future rates, and are taken into income when received.

Currency

Currency figures are expressed in thousands of United States dollars. Cruzeiro revenues and expenses are translated at average official free market rates of exchange for the period (or rates closely approximating these) except for depreciation provisions which are at the rates used for the translation of the related assets. In the current statement, cruzeiros were translated at Cr$6.466 to the dollar versus Cr$6.103 a year ago.

Because the cruzeiro/dollar rate changes periodically under the system of moving exchange rates, dollar equivalents of cruzeiro items in the Company's interim statements vary from period to period within a year.

Estimates

Because of the variables and adjustments noted above on the method of determining the Company's Brazilian utility revenues (as described in the note on earnings), operating revenues for the six months ended June 30, 1974 can only be estimated.

Comparative Figures

The 1973 figures have been restated to reflect Brazilian utility operating income based on the actual rate base and the recovery of allowable costs as determined at the end of that year and the inclusion of the equity in income of joint ventures for the period. The combined effect of these changes has increased net income for the six months ended June 30, 1973 by $1,678.

PRINTED IN CANADA

Brascan
LIMITED

Interim Report to the Shareholders

six months ended
June 30, 1974

Brascan
LIMITED

TO THE SHAREHOLDERS

EARNINGS

Consolidated net income for the six months ended June 30, 1974 is estimated (see notes) at $2.18 per ordinary share, before gains on exchange of $0.07 per ordinary share. This compares with $1.71 per ordinary share for the same period in 1973, before gains on exchange of $0.55 per ordinary share. Estimated consolidated net income totalled $63.5 million compared with $63.8 million. The earnings per share figures have been adjusted to reflect the 10% stock dividend paid July 31, 1974.

BRAZILIAN ECONOMY

Brazil's economy has performed well in the face of many difficulties. Growth in Gross Domestic Product is running 10% ahead of the level of one year ago. Good harvests are expected to be taken of coffee, sugar, soybeans, beans and wheat. Exports of manufactured goods, iron ore and agricultural products exceeded last year's levels.

The heavy burden of paying for increased cost of oil imports continued to put strain upon Brazil's balance of payments, and the expected improvement in commodity export prices did not develop. Strong efforts were made by state-owned corporations and private companies to obtain financing abroad on extended terms, and these met with considerable success.

Measures taken by the authorities during the half year included devaluation of the cruzeiro amounting to 8.7%. On June 26 a variety of import surcharges and controls was imposed on less essential imports. The rate of increase in the money supply has been reduced recently and federal and state spending has been held within the limits of forecast revenues, resulting in budget surpluses.

The consumer price index rose by nearly 20%, though the rate of increase has recently moderated. Businesses continue with their capital expansions and make strong demands for credit. Brazil is meeting its difficulties positively in an effort to maintain the current growth cycle.

BRAZILIAN ELECTRIC OPERATIONS

Sales by Light S.A., the Brazilian electric subsidiary, for the six months amounted to 13,494 million kwh, an increase of 12.4% over the corresponding period in 1973.

Electric rates, which were adjusted on January 1 and March 1, 1974 were again increased as of July 1, 1974 to a level designed to produce sufficient operating revenues to cover the estimated cost of service for the year 1974. The latest increase covers higher costs of purchased power.

Shortage in availability of capital goods, both in Brazil and elsewhere, are creating problems for the Company in carrying out its present expansion program. As a result, planned expenditures for 1974 have been reduced by $24

million to $232 million. Expenditures and commitments as of June 30, 1974 totalled $206 million.

INVESTMENT AND INDUSTRIAL OPERATIONS

Income from investment and industrial operations in Canada improved and include the earnings of Great Lakes Power Corporation for the six months ended June 30, 1974. Income from Brazilian operations is substantially on plan.

In July 1974 Brascan—Administracão e Investimentos Ltda. (Brascan Brazil) concluded arrangements with MacMillan Bloedel Limited for a joint venture to develop a large pine and eucalyptus plantation in Brazil. The venture envisages the planting of an extensive forest that would ultimately be the basis for an integrated forest products complex. Brazilian investors will participate in these projects.

NATURAL RESOURCES

Brascan Resources is continuing development of its shallow gas reserves in north-central Alberta and expects to begin marketing them in early 1975. This project will provide the first significant cash flow from natural gas for the Company.

The British Columbia government has decided not to take up its option for a 40% interest in the Sukunka coking coal project. Present levels of demand and high prices for metallurgical coal indicate that this project could be profitable on a much smaller scale than originally envisaged. This would permit more use of existing facilities and have labour requirements more in line with current availability in the area. Your Company is carrying out new feasibility studies in the light of these conditions.

FINANCIAL

The increase in general corporate interest expense reflects the inclusion in the 1974 period of the full six-months interest cost of the borrowing incurred to finance the acquisition of Great Lakes Power Corporation and Western Minerals in 1973.

As explained previously, the large foreign exchange gains in 1973 resulted from the upward valuation of the cruzeiro relative to the United States dollar by 1.9% (Cr$6.215 to Cr$6.100) while the comparable figure for 1974 is a devaluation of 8.7% (Cr$6.220 to Cr$6.815).

Shareholders have been advised by mail that arrangements have been made for those resident in Canada to receive 1975 and subsequent dividends of the Company in Canadian currency equivalent if they so elect.

J. H. Moore,
President.

September 4, 1974.

STATEMENT OF CONSOLIDATED INCOME (1)

for the six months ended June 30

Expressed in thousands of United States dollars

(Unaudited)

	1974	1973
Electric utility—Brazil:		
Operating revenues	**$386,657**	$298,405
Operating revenue deductions—		
Purchased power	**173,696**	117,489
Fuel oil	**828**	1,984
Salaries, wages and other operating expenses	**79,986**	69,173
Depreciation	**16,675**	14,460
Reversion	**22,873**	19,056
	294,058	222,162
Operating income	**92,599**	76,243
Income deductions—		
Interest expense—net	**4,043**	3,329
Equity of minority shareholders	**14,175**	12,435
Income and withholding taxes	**15,222**	14,984
	33,440	30,748
Net income before foreign exchange adjustments	**59,159**	45,495
Foreign exchange adjustments—		
On interest-bearing investments	**(2,722)**	10,861
Other	**5,830**	(1,001)
Net electric utility income—Brazil	**62,267**	55,355
Investment and industrial operations:		
Canada and other	**5,400**	1,795
Brazil	**3,212**	3,328
Net income before foreign exchange adjustments	**8,612**	5,123
Foreign exchange adjustments—		
On interest-bearing assets and liabilities	**(631)**	5,318
Other	**(483)**	233
Net investment and industrial operations income	**7,498**	10,674
Net income before general corporate expenses	**69,765**	66,029
General corporate expenses:		
Interest on long-term debt	**4,641**	774
Other corporate expenses	**1,641**	1,491
	6,282	2,265
Net income for period	**$ 63,483**	$ 63,764
Average number (in thousands) of ordinary shares (Class A and Class B) outstanding for period	**28,181**	28,174(2)
Earnings per ordinary share		
Income before foreign exchange adjustments	**$ 2.18**	$ 1.71
Foreign exchange adjustments	**.07**	.55
Net income for period	**$ 2.25**	$ 2.26(2)

(1) See notes (2) Adjusted for stock dividend paid July 31, 1974

STATEMENT OF CHANGES IN CONSOLIDATED FINANCIAL POSITION (1)

for the six months ended June 30

Expressed in thousands of United States dollars

(Unaudited)

	1974	1973
Funds provided:		
Funds provided from operations—		
Net income for period	**$ 63,483**	$ 63,764
Add (deduct):		
Depreciation and depletion	**18,904**	15,132
Allowance for interest on funds used in construction	**(8,790)**	(5,985)
Non-dividend portion of equity in income of corporate joint ventures	**(1,556)**	(1,808)
Equity of minority shareholders after deducting dividends paid (1974—$5,997; 1973—$5,132)	**8,363**	7,560
	80,404	78,663
Long-term borrowings excluding those incurred to finance acquisitions	**104,071**	79
Increase in holdings of minority shareholders	**3,355**	636
Current portion of sale price of telephone utilities	**1,924**	915
Shares issued	**1,315**	
Sale of property, plant and equipment	**401**	2,070
Customers' contributions for line extensions	**250**	323
Miscellaneous changes in various assets and liabilities	**1,570**	(2,563)
Total funds provided	**193,290**	80,123
Funds used:		
Expenditures on property, plant and equipment	**108,136**	50,068
Reduction in long-term borrowings	**48,973**	2,848
Increase in utility materials and supplies	**24,850**	1,266
Increase in loans and long-term finance contracts	**22,104**	2,472
Increase in non-utility investments	**6,377**	12,487
Deferred mine development expenditures	**246**	1,997
Net funds used on acquisition of subsidiaries(3)		32,123
Dividends—ordinary and preference	**12,825**	12,782
Total funds used	**223,511**	116,043
Decrease in net current assets	**(30,221)**	(35,920)
Net current assets at beginning of period	**125,649**	106,747
Net current assets at end of period	**$ 95,428**	$ 70,827

(1) See notes

(3) Net funds used on acquisition of subsidiaries—

Net non-fund assets of subsidiaries acquired	$ 66,123
Less long-term portion of borrowings incurred to finance acquisitions	34,000
	$ 32,123